OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Tullow Oil plc

$650,000,000

6¼% Senior Notes due 2022

Guaranteed on a senior subordinated basis by certain of its subsidiaries

Tullow Oil plc, incorporated as a public limited company under the laws of England and Wales (the "**Company**"), issued $650,000,000 aggregate principal amount of its 6¼% Senior Notes due 2022 (the "**Notes**"). We will pay interest on the Notes semi-annually on April 15 and October 15 of each year, commencing October 15, 2014. The Notes will mature on April 15, 2022.

At any time on or after April 15, 2017, we may redeem all or part of the Notes by paying the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). Prior to April 15, 2017, we will be entitled, at our option, to redeem all or a portion of the Notes by paying 100% of the principal amount of such Notes, plus accrued and unpaid interest, if any, plus a "make-whole" premium. In addition, prior to April 15, 2017, we may redeem, at our option, up to 35% of the Notes with the net proceeds from certain equity offerings. If we undergo certain events defined as constituting a change of control, each holder may require us to repurchase all or a portion of its Notes at 101% of their principal amount, plus accrued and paid interest, if any. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes will be senior debt of the Company and will rank *pari passu* in right of payment with all of the Company's existing and future senior obligations, including the 2020 Senior Notes (as defined herein). The Notes initially will be guaranteed on a senior subordinated basis (the "**Note Guarantees**") by certain of our subsidiaries (the "**Guarantors**"), which also guarantee the 2020 Senior Notes on the same basis. The Notes will be structurally subordinated to all existing and future obligations and other liabilities (including trade payables) of our subsidiaries that are not Guarantors.

This Offering Memorandum includes information on the terms of the Notes and Note Guarantees, including redemption and repurchase prices, covenants and transfer restrictions. This Offering Memorandum constitutes a prospectus for the purposes of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

There is currently no public market for the Notes. We have applied to have the Notes admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF. The Euro MTF Market is not a regulated market within the meaning of Directive 2004/39/EC.

Investing in the Notes involves a high degree of risk. See the "Risk factors" section of this Offering Memorandum.

Price: 100.000% plus accrued interest, if any, from April 8, 2014.

The Notes were delivered in book-entry form through The Depository Trust Company ("**DTC**") on April 8, 2014 (the "**Issue Date**").

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

Joint global coordinators

J.P. Morgan **Barclays** **BNP PARIBAS** **BofA Merrill Lynch** **Deutsche Bank Securities**

Joint book running managers

Crédit Agricole CIB **Standard Chartered Bank**

Co-managers

DNB Markets **HSBC** **ING** **Lloyds Securities** **Natixis**

RBC Capital Markets **RBS** **SMBC Nikko** **SOCIÉTÉ GÉNÉRALE** **STANDARD BANK**

The date of this Offering Memorandum is May 21, 2014.

In making your investment decision, you should rely only on the information contained in this Offering Memorandum. We and J.P. Morgan Securities LLC ("J.P. Morgan"), Barclays Bank PLC, BNP Paribas Securities Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Crédit Agricole Corporate and Investment Bank, Standard Chartered Bank, DNB Markets, Inc., HSBC Securities (USA) Inc., ING Bank N.V., London Branch, Lloyds Securities Inc., Natixis Securities Americas LLC, RBC Capital Markets, LLC, RBS Securities Inc., SMBC Nikko Capital Markets Limited, Société Générale and Standard Bank Plc (collectively, the "Initial Purchasers") have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum. Our business or financial condition and other information in this Offering Memorandum may change after that date.

Important information about this Offering Memorandum

This Offering Memorandum is a document that we are providing only to prospective purchasers of the Notes. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not use this Offering Memorandum for any other purpose.

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

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

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

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

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

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

The Initial Purchasers make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past, the present or the future.

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

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

We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange and have the Notes admitted for trading on the Luxembourg Stock Exchange's Euro MTF market.

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to U.S. investors

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

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

Notice to certain other investors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forward-looking statements

This Offering Memorandum includes statements that are, or may deemed to be, “forward-looking statements,” within the meaning of the securities laws of certain jurisdictions, including statements under the headings “Presentation of industry and market data,” “Summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Our business” and other sections. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipate,” “expect,” “suggests,” “plan,” “believe,” “intend,” “estimates,” “targets,” “projects,” “should,” “could,” “would,” “may,” “will,” “forecast,” and other similar expressions or, in each case, their negative or other variations or comparable terminology. These forward- looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

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

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

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “Risk factors” section of this Offering Memorandum:

- political, economic, fiscal, legal, regulatory and social uncertainties in certain of the countries in which we do business;
- threats of terrorist activity, armed conflicts and political upheaval in emerging markets;
- increased susceptibility to disruptions in the international and domestic capital markets in emerging markets compared to more developed markets;
- crime and corruption in certain of the countries in which we do business;
- underdeveloped infrastructure in certain of the countries in which we do business;
- uncertainties in the application or interpretation of laws and regulations in certain of the countries in which we do business;
- licensing and other regulatory requirements in the countries in which we do business;
- adverse sovereign action by governments in the countries in which we do business;
- compliance with anti-corruption laws and economic sanctions programs;
- changes to tax legislation or increases in effective tax rates;
- the volatility in oil and gas prices;
- the level of oil and gas commercial reserves and contingent resources may be lower than expected;
- drilling, exploration and productions risks and hazards;
- significant uncertainty as to the success of drilling appraisal, exploration and development activities;
- the inability to replace commercial reserves that we produce;

- the competitiveness of our industry;
- the technological developments in the industry;
- climate change abatement legislation, including costs of complying with such legislation;
- risks associated with geographic diversification and the acquisition of assets;
- concentration of a significant proportion of our production in the Jubilee field in Ghana;
- the compliance with obligations under licenses, contracts and field development plans;
- issues caused by commercial partners we do not control;
- the failure to obtain access to necessary equipment and transportation systems;
- the unanticipated increased costs including with respect to decommissioning obligations;
- the successful integration of acquisitions;
- our ability to retain and hire qualified personnel;
- the damage to our business reputation;
- the risk of disputes over title or exploration and production rights;
- inadequate insurance coverage;
- the risk of litigation;
- the inability of customers to meet their payment obligations;
- currency exchange and inflation risks;
- exposure to losses from hedging activities;
- the inability to sell assets on attractive terms;
- the compliance with health and safety and environmental regulations;
- the risks of intentional or unintentional disruption to our website and internal systems and misappropriation of confidential information;
- issues caused by not owning trademarks, service marks and trade names used in connection with the operation of our business; and
- wage demands or work stoppages by unionized employees.

The list above is not exhaustive and there are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this Offering Memorandum. Moreover, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

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

Presentation of financial and other information

Financial information

Our audited consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The financial statements have also been prepared in accordance with IFRS adopted by the European Union and comply with Article 4 of the EU IAS Regulation.

The fair values of the identifiable assets and liabilities of the Nuon Acquisition disclosed in the 2011 financial statements were reassessed in 2012, to reflect additional information which has become available concerning conditions that existed at the date of acquisition, in accordance with the provisions of IFRS 3—Business Combinations. Adjustments made to fair values previously reported have been retrospectively restated. The principal fair value adjustments are in respect of intangible exploration and appraisal assets and property, plant and equipment as a result of the finalization of an independent review by ERC Equipoise Limited ("**ERCE**") of acquired commercial reserves and contingent resources.

In this Offering Memorandum, we refer to the headline consideration that we received for the farm-down of two-thirds of our interests in Ugandan licenses. This headline consideration was $2.9 billion and reflected the consideration that was due as of the effective date of the sale and purchase agreement. The final consideration due, after post-completion adjustments, was $3.3 billion.

Non-IFRS financial measures

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

We present a reconciliation of each of the non-IFRS measures to the most directly comparable measure calculated and presented in accordance with IFRS and discuss its limitations. For a reconciliation of these non-IFRS measures, refer to "Summary historical financial data."

EBITDAX and Adjusted EBITDAX may also be defined differently from the corresponding terms under the Indenture. Some of the limitations of EBITDAX and Adjusted EBITDAX are:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDAX and Adjusted EBITDAX do not reflect any cash requirements that would be required to make such replacements;
- they do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

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

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

In this Offering Memorandum, we present our outstanding commitments and outstanding balance as of December 31, 2013 under the Norwegian Facility, which is denominated in Norwegian Krone. We have provided a convenience translation into U.S. dollars based on the assumed exchange rate of NOK 6.1209 per USD 1.0000.

Certain reserves and production information

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

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

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

Hydrocarbon data

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

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

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

There are a number of uncertainties inherent in estimating quantities of commercial reserves and contingent resources, including many factors beyond our control. The commercial reserves and contingent resources information as of December 31, 2013 in the ERCE Report dated December 31, 2013 represent only estimates and such estimates are forward-looking statements which are based on judgments regarding future events that may be inaccurate. See "Forward-looking statements." Estimation of commercial reserves and contingent resources is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any commercial reserves or contingent resources estimate is a function of a number of factors, many of which are beyond our control, including the quality of available data, and involves engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of commercial reserves and contingent resources estimates, the initial commercial reserves and contingent resources estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The meaningfulness of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Thus, you should not place undue reliance on the ability of the commercial reserves and contingent resources reports prepared by ERCE to predict actual commercial reserves and contingent resources or on comparisons of similar reports concerning other companies and this Offering Memorandum should be accepted with the understanding that the Company's financial performance subsequent to the date of the estimates may necessitate revision of the commercial reserves and contingent resources information set forth herein. In addition, except to the extent that we acquire additional properties containing commercial reserves or conduct successful exploration and development activities, or both, our commercial reserves will decline as they are produced.

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

Presentation in ERCE reports

ERCE has prepared assessments of our asset base as of December 31, 2011, 2012 and 2013 and presented its estimates of commercial reserves and contingent resources in reports dated respectively January 31, 2012, December 31, 2012 and December 31, 2013 (each an "ERCE Report" or, collectively, the "ERCE Reports").

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

Commercial partners

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

Sale of assets

We are in the process of selling, or planning to sell, our assets (including our interests in upstream exploration and production licenses or production sharing contracts) in the U.K. and Dutch Southern North Sea and Pakistan and sold all of our assets in Bangladesh in December 2013 (collectively, the "**Non-Core Assets**"). Unless we indicate otherwise, all information in this Offering Memorandum relating to our interests in licenses, acreage under license, commercial reserves, contingent resources, production and sales revenue includes our U.K. and Dutch Southern North Sea, Pakistan and Bangladesh assets. The table below shows the licenses, acreage under license, commercial reserves, contingent resources, production and sales revenue our U.K. and Dutch Southern North Sea, Pakistan and Bangladesh businesses contributed to our group as of and for the years ended December 31, 2012 and December 31, 2013.

	Dutch Southern North Sea		U.K. Southern North Sea		Bangladesh		Pakistan	
	As of December 31, 2012	As of December 31, 2013	As of December 31, 2012	As of December 31, 2013	As of December 31, 2012	As of December 31, 2013(1)	As of December 31, 2012	As of December 31, 2013
Commercial Reserves								
Oil (mmbo)	0.1	0.1	1.0	0.8	0.2	—	—	—
Gas (bscf)	57.9	46.3	122.1	103.4	81.7	—	4.2	4.2
Total Commercial Reserves (mmboe)	9.8	7.9	21.4	18.0	13.9	—	0.7	0.7

Contingent Resources								
Oil (mmbo)	—	—	—	—	—	—	—	—
Gas (bscf)	68.3	56.7	112.0	112.0	12.0	—	—	—
Total Contingent Resources (mmboe)	11.4	9.5	18.7	18.7	2.0	—	—	—
Licenses		18		16		—		5
Acreage under license (sq. km.)		4,215		1,068		—		13,064

(1) We completed the Bangladesh asset sale during December 2013.

	Dutch Southern North Sea		U.K. Southern North Sea		Bangladesh		Pakistan	
	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2013(1)	For the year ended December 31, 2012	For the year ended December 31, 2013
Production								
Oil production (bopd)	—	—	—	—	—	—	—	—
Condensate production (boepd)	200	100	400	400	100	100	—	—
Gas production (mcfd)	36,900	31,200	57,900	52,800	29,100	25,800	—	—
Total production (boepd)	6,350	5,300	10,050	9,200	4,950	4,400	—	—
Sales Revenue (in millions of $)	142.3	137.9	219.4	234.9	18.7	15.5	0.2	—
EBITDAX (in millions of $)	89.2	82.3	125.3	95.5	12.5	7.1	(1.5)	(1.3)

(1) We completed the Bangladesh asset sale during December 2013.

In October 2013, we announced the entry into an agreement for the sale of the entire share capital of Tullow Pakistan (Developments) Limited to Ocean Pakistan Limited, part of the Hashoo Group of Pakistan. Assets held by Tullow Pakistan (Developments) Limited accounted for 0.7 mmboe of our commercial reserves as of December 31, 2013. The sale is conditional upon receipt of approvals and consents from the applicable governmental and regulatory authorities of Pakistan.

Currency presentation and definitions

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

Definitions

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

- “Corporate Facility” means the secured revolving credit facility agreement dated as of December 14, 2009, as amended and restated from time to time, and expected to be amended and restated prior to the Issue Date, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as Agent;

- “EURIBOR” means Euro Interbank Offered Rate;

- “European Economic Area” or “EEA” means the trading area established by the European Economic Area Agreement of 1 January 1994, currently comprising the member states of the European Union (currently, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) and Norway, Iceland and Liechtenstein;

- “2020 Senior Notes” means the Company’s $650.0 million aggregate principal amount of 6.0% Senior Notes due 2020 issued on November 6, 2013;

- “2020 Senior Notes Indenture” means the indenture, dated as of November 6, 2013, by and among, *inter alios*, the Company, as issuer, and Deutsche Trustee Company Limited, as trustee, governing the 2020 Senior Notes;

- “FSMA” means the Financial Services and Markets Act 2000, as amended;

- “£” means pounds sterling;

- “Guarantors” means, collectively, Tullow Oil SK Limited, Tullow Cote d’Ivoire Limited, Tullow Oil SPE Limited, Tullow Congo Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Exploration & Production Netherlands B.V., Tullow Uganda Limited and Tullow Uganda Operations Pty Ltd.;

- “LIBOR” means London Interbank Offered Rate;

- “London Stock Exchange” or “LSE” means London Stock Exchange plc;

- “Norwegian Facility” means the secured revolving exploration finance facility agreement dated as of June 19, 2009, as amended and restated from time to time, entered into by, among others, Spring Energy Norway AS an original borrower and Merchant Banking, Skandinaviska Enskilda Banken AB as agent;

- “Nuon Acquisition” means the acquisition by Tullow of Nuon Exploration and Production on May 24, 2011;

- “NIBOR” means Norwegian Interbank Offered Rate;

- “NOK” means Norwegian Krone;

- “OPEC” means Organization for Petroleum Exporting Countries;

- “RBL Facilities” means, collectively, (i) the senior secured revolving credit facility agreement dated as of August 22, 2005, as amended and restated from time to time, and expected to be amended and restated prior to the Issue Date, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as agent; (ii) the senior secured revolving credit facility agreement dated as of May 29, 2009, as amended and restated from time to time, entered into by Tullow Oil plc as an original borrower and International Finance Corporation as lender and agent and (iii) the junior secured revolving credit facility agreement, dated as of August 22, 2005, as amended and restated from time to time, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as agent;

- "Refinancing" means (i) the issuance of the Notes offered hereby and (ii) the partial repayment of the RBL Facilities, as described in "Use of Proceeds";

- "SEC" means U.S. Securities and Exchange Commission;

- "U.K." means the United Kingdom of Great Britain and Northern Ireland;

- "U.K. Corporate Governance Code" means the U.K. Corporate Governance Code published by the Financial Reporting Council;

- "United States" or "U.S." means United States of America; and

- "U.S. Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Presentation of industry and market data

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

- African Development Bank, a regional multilateral bank engaged in promoting the economic development and social progress of African countries;

- Bank of Ghana, the central bank of Ghana;

- BP Energy Outlook 2035, publication by BP plc;

- BP Statistical Review of World Energy 2013, annual publication by BP plc;

- CIA World Factbook, consisting of U.S. government profiles of countries around the world;

- Energy Information Administration, a U.S. government department responsible for collecting, analyzing and disseminating energy information;

- Extractive Industries Transparency Initiative, an international group endorsed by the World Bank with the goal of achieving an international standard of transparency around the oil, gas and mineral resources of countries;

- Ghana Energy Commission, the technical regulator of Ghana's electricity and natural gas industry;

- Ghana National Petroleum Corporation, the Ghanaian state agency responsible for the exploration, licensing and distribution of petroleum-related activities in Ghana;

- Institut Français des Relations Internationales, a French independent research institution dedicated to international affairs;

- International Monetary Fund, an international financial institution;

- Ministry of Mines of Ethiopia, the Ethiopian federal ministry responsible for the development of the mining sector;

- Mo Ibrahim Foundation, a non-grant making organization focused on defining, assessing and enhancing governance and leadership in Africa;

- Norwegian Petroleum Directorate, the Norwegian government agency responsible for the regulation of petroleum resources on the Norwegian continental shelf;

- U.S. Department of Energy, a U.S. government department whose mission is to advance energy technology and promote related innovation in the United States;

- World Bank, an international financial institution; and

- World Trade Organization, an international body dealing with the rules of trade between nations.

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

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

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

Summary

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

*Unless otherwise indicated, all references to our interests in licenses, acreage under license, commercial reserves, contingent resources, production and sales revenue include non-core gas producing assets in the U.K. and Dutch Southern North Sea and Pakistan, which we are in the process of selling, or planning to sell, and Bangladesh, which we sold in December 2013 (collectively, the "**Non-Core Assets**"). For more information regarding the characteristics of and results attributable to these assets, please see "Presentation of financial and other information—Sale of assets." You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk factors" and "Management's discussion and analysis of financial condition and results of operations."*

Overview

We are one of the world's leading independent oil and gas exploration and production companies, with a large and diversified portfolio of interests focused on Africa and the Atlantic Margins. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We aim to build a business which has an unrivalled competitive position differentiated from our peers. We plan to do this by having a balanced yet diversified portfolio of high- impact exploration assets, selective developments and material production which delivers long-term sustainable value growth for all our stakeholders, while ensuring the safety of our people and minimizing environmental impacts.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. During the 1990s and 2000s we expanded by acquiring companies, assets and interests in licenses in Europe, Africa, South America and Asia, transforming us into a more balanced oil and gas exploration and production company. Since 2006, our drilling exploration and appraisal campaigns have resulted in five basin- opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field offshore Ghana. Our development team, together with our partners, brought the field on stream in 40 months from discovery, adding significant new commercial reserves and establishing our deep water development and operatorship capabilities.

Our portfolio of over 150 licenses includes producing assets, near term development projects and high impact exploration opportunities in more than 20 countries organized into three geographic regions: West and North Africa, South and East Africa and Europe, South America and Asia. As of December 31, 2013, we had commercial reserves of 382.2 mmboe (of which 86% was oil) and aggregate commercial reserves and contingent resources of 1,409.0 mmboe (of which 75% was oil). For the year ended December 31, 2013, our production averaged 84,200 boepd, our sales revenue was $2.6 billion and our EBITDAX was $1.8 billion and, as of December 31, 2013, our net debt/Adjusted EBITDAX was 1.0x. For an explanation of EBITDAX, Adjusted EBITDAX and net debt/Adjusted EBITDAX, see "Summary historical financial data."

Our portfolio consists of producing assets in nine countries. Our West African light oil production portfolio generates the majority of our cash flow and, for the year ended December 31, 2013, represented approximately 77% of our average daily production (99.5% excluding production from the Non-Core Assets). Our largest producing asset is the Jubilee field offshore Ghana, which we operate on behalf of ourselves, Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. For the year ended December 31, 2013, the Jubilee field contributed approximately 41% of our 84,200 boepd production (53% excluding production from the Non-Core Assets). Our other significant West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d'Ivoire, Mauritania, onshore

Congo (Brazzaville) and offshore and onshore Gabon. Our future plans include developing to production several of our recent discoveries, including the TEN Project offshore Ghana, discoveries in the Lake Albert Rift Basin onshore Uganda and the South Lokichar Basin in Kenya. See "Our business—Production and development" for a description of these and our other development projects and the significant capital expenditure they will require.

We have exploration interests in more than 20 countries with acreage under license of approximately 320,000 square kilometers. In the seven years ended December 31, 2013, we drilled 218 exploration and appraisal wells, 73% of which were successful, and organically added approximately 200 mmboe on average per annum of oil and gas to our contingent resources, opening up new oil regions and adding assets for us to monetize via development, farm-downs or divestments. In the year ended December 31, 2013, we invested $1.1 billion in exploration and appraisal activities and drilled 57 exploration and appraisal wells, 65% of which were successful, discovered a new oil basin in Norway and added commercial reserves and contingent resources equivalent to more than 750% of our production during that year. During 2014, we plan to continue our exploration and appraisal campaigns in the East Africa Rift Basin, East Africa Transform Margin, West Africa Transform Margin, the Guyanas Transform Margin, Norwegian Continental Shelf and the Central Atlantic Margins.

We actively manage our portfolio by seeking to realize value at appropriate points in the life cycle of an asset. In 2012, we farmed down two-thirds of our 100% interest in three blocks in Uganda to Total S.A. and the China National Offshore Oil Corporation Limited ("**CNOOC**"), monetizing 604 mmboe of contingent resources during the exploration and appraisal stage. We received a headline consideration of $2.9 billion in this partial sale, while retaining operatorship of one of the blocks. We are continuing discussions with potential participants regarding a partial farm-down of our 47.175% interest in the TEN Project in Ghana, which we operate, in return for a carry of future development costs. We also plan to sell our Non-Core Assets in the U.K. and Dutch Southern North Sea and Pakistan, and have sold our Non-Core Assets in Bangladesh, which collectively contributed approximately 18,900 boepd to our average production for the year ended December 31, 2013 (or 22% of our overall total).

Headquartered in London, we had 2,034 employees and contractors globally as of December 31, 2013, with over 50% working in our African operations. Our ordinary shares are quoted on the London, Irish and Ghanaian stock exchanges and we are a constituent of the FTSE 100 index. As of March 31, 2014, our market capitalization was approximately $11 billion.

Our strategy

Our vision is to be the leading global independent exploration and production company. We aim to do this through having a balanced yet diversified portfolio of high-impact exploration assets, selective developments and material production. We have a clear and consistent exploration-led growth strategy to achieve this, focused on finding light oil. We will fund the growth and development of our business by cash from operations, monetization of assets and access to debt and equity markets. We monetize our assets by farming-down or divesting at appropriate points in the life cycle or by developing our discoveries through to production.

Grow and develop our commercial reserves to provide strong, stable cash flows

We intend to leverage our exploration and development success to grow our commercial reserves base and, where appropriate, bring on new production to provide strong, stable cash flows and further improve our financial flexibility. Over the past decade, we have increasingly shifted our production focus from gas to higher-margin oil. In 2007, we made a major discovery in the Jubilee field offshore Ghana and developed it on schedule, delivering first oil in November 2010. Further development has resulted in our commercial reserves attributable to our interest in the Jubilee field being 147.5 mmboe as of December 31, 2013.

In May 2013, we received Ghanaian government approval to develop the Tweneboa, Enyenra and Ntomme ("**TEN**") fields which we discovered in 2009 and 2010, our second major operated project offshore Ghana (the "**TEN Project**"). We are targeting first oil in 2016 and a gross production rate of 80,000 boepd, of which 37,740 boepd would represent our share prior to the planned farm-down. As of December 31, 2013 our commercial reserves attributable to the TEN fields were 112.2 mmboe, reflecting our 47.175% ownership in each of the fields prior to the planned farm-down.

In Uganda, together with Total S.A. and CNOOC, we have presented a joint development plan to the government, which is based on three main oil and gas processing centers delivering a combined oil production rate in excess of 200,000 bopd, of which 66,667 bopd would represent our share. We are targeting first oil in or after 2018, subject to obtaining government approval of the plan. As of December 31, 2013, our interests in Uganda accounted for 426.3 mmboe of our contingent resources, which we expect to begin to transfer to commercial reserves following approval of the joint development plan. In February 2014, a Memorandum of Understanding (MOU) defining the commercial framework for a development was signed between the government of Uganda, us, CNOOC and Total. The MOU envisages a development, consisting of a crude export pipeline from the Lake Albert Basin to the Kenyan coast, to be developed in parallel with a petroleum refinery with appropriate capacity to process expected regional production.

In addition, we maintain a large inventory of drilling opportunities and undeveloped acreage, which we expect will enable us to continue to maintain and grow our commercial reserves base. As of December 31, 2013, our commercial reserves were 382.2 and our aggregate commercial reserves and contingent resources were 1,409.0 mmboe.

Execute high-impact exploration and appraisal campaigns

We plan to build on our exploration and appraisal success in Ghana, Uganda, Kenya and Norway by continuing to explore for high-margin oil in conventional geological core plays where we have proven expertise—stratigraphic traps, rift basins, salt basins and carbonates. As a result of significantly increasing costs of deepwater exploration, we have recently focused our exploration and development activities on onshore and in shelf acreage, which should result in a higher percentage of lower cost wells being drilled in 2014 than in prior years. In 2014, we expect onshore wells and shelf wells will account for 60% of the total number of wells to be drilled. We manage exploration risk by running parallel exploration campaigns across a spread of frontier basins and countries. We have delivered approximately 200 mmboe on average per annum to our contingent resources in the seven years ended December 31, 2013, and continue to target this level of addition and intend to invest up to $1 billion annually in our exploration and appraisal activities. We have six exploration campaigns underway covering the East Africa Rift Basin, East Africa Transform Margin, West Africa Transform Margin, the Guyanas Transform Margin, Norwegian Continental Shelf and the Central Atlantic Margins.

We engage in carefully planned exploration and appraisal campaigns designed to drill out a license and quantify the associated contingent resources. For example, in the Deepwater Tano license offshore Ghana we made our first discovery in the Jubilee field in 2007, and followed that with the Tweneboa- 1 exploration well in 2009 in the same license, discovering the Tweneboa accumulation approximately 25 kilometers from the Jubilee field. The drill- out of the license was completed in February 2013 after drilling 27 successful exploration and appraisal wells, a 79% success ratio. In Uganda, we had our first basin opening discovery near Lake Albert in 2006. We continue to appraise the area and to date have drilled 88 successful wells, a 90% success ratio, and have discovered approximately 1.5 billion boe gross contingent resources.

Following our exploration success in Uganda's Lake Albert Rift Basin, we extended our exploration acreage into the prospective East Africa Rift Basins of Kenya and Ethiopia, located approximately 500 kilometers to the east of Lake Albert. We operate five onshore blocks in Kenya, with a 50% to 65% equity interest covering approximately 65,000 square kilometers. Since the expansion of our East African Rift Basin exploration program into the Tertiary Rift Basin of Kenya, we have made excellent progress with seven discoveries out of the first seven exploration wells drilled. A significant exploration and appraisal program is planned during 2014 and 2015 for not only the South Lokichar basin but also for a further six separate Tertiary Rift Basins across our Kenyan acreage.

Monetize value throughout the life cycle of assets through portfolio management

Portfolio management is an integral part of our exploration, development and production strategy through which we seek to realize value at an appropriate point in the life cycle of an asset.

We continually review technical and competitive data as we replenish and high grade our portfolio of exploration prospects. We focus on prospects with development potential which we believe we are well positioned to realize due to our extensive regional knowledge and experience and we search for opportunities to achieve economies of scale to increase operational efficiencies. Our large and diversified portfolio of over 150 licenses means that we can be selective when choosing which prospects to drill. Historically, we have drilled approximately 10% of our most promising prospects each year, a rate that we expect to maintain.

Once a discovery is made, we may choose to sell or farm-down our interests, as we did in Uganda where we farmed-down two-thirds of our 100% interest in three blocks at the exploration and appraisal stage to Total S.A. and CNOOC for a headline consideration of $2.9 billion. Partial sales or farm-downs enable us to monetize value early in a field's life cycle and de-risk our interests by reducing our exposure to an asset and the associated development and other costs.

We have the ability to develop selected core assets to realize cash flow from production as we did with the Jubilee field, but also consider whether to farm-down or otherwise divest all or part of a development asset to generate cash to reinvest in the business or to finance development costs. For example, we plan to farm-down part of our interest in the TEN Project in Ghana in return for a carry of development costs. We anticipate that this will enable us to manage our exposure to the development costs while retaining a material interest and operatorship of the expected high-margin oil production.

We also regularly evaluate our production portfolio to identify non-core assets for disposal to enable us to focus our resources and capital on higher margin production. For example, in 2008, we disposed of our interests in the Hewett gas field and Bacton plant in the United Kingdom for £207.8 million and in December 2013 we completed the sale of our Bangladesh assets to KrisEnergy Asia Holdings B.V. for $41.4 million. We plan to sell the remaining Non-Core Assets, comprising U.K. and Dutch Southern North Sea assets and Pakistan assets.

Additionally, we intend to continue to pursue selective acquisition opportunities that fit our exploration-led core competencies and value- creation objectives. Our ability to execute both transformational and bolt- on acquisitions is demonstrated by a successful track record, including Energy Africa in 2004, Hardman Resources in 2007 and more recently Spring Energy in 2013.

Maintain a disciplined approach to financial management

We strive to maintain a conservative financial profile and strong balance sheet with ample liquidity. Our funding sources include operating cash flow, debt, equity and proceeds of portfolio management activities. Typically, we fund exploration activities from production cash flows and equity and development activities from a combination of production cash flows, debt and proceeds of portfolio management activities such as farm-downs or sales. During the last three years, our cash flow was sufficient to fund all of our exploration and appraisal activities.

We believe we prudently use debt financing and intend to maintain what we consider to be appropriate leverage levels. Prior to the Issue Date, we expect to have $4.6 billion of commitments from commercial banks: $3.5 billion under our RBL Facilities with availability determined by reference to a commercial reserves borrowing base, $750 million under our Corporate Facility with availability determined by reference to the volume of our contingent resources and approximately $327 million under our Norwegian Facility. The RBL Facilities were refinanced in November 2012 for a seven- year term and the commitments are non-amortizing for four years from the refinancing date. The syndicate for the RBL Facilities includes 26 international commercial banks and the International Finance Corporation (the "**IFC**"). We expect to refinance our Corporate Facility prior to the Issue Date and increase the facility size by $250 million to $750 million. We are currently in discussions to refinance our Norwegian Facility which we expect to complete in the second quarter of 2014. In November 2013, we further diversified our funding sources by issuing the 2020 Senior Notes.

In addition, we use derivative financial instruments to limit our exposure to fluctuations in oil and gas prices, currency exchange rates and interest rates. We have an active commodity hedge program through which we hedge our sales volumes on a graduated three-year rolling basis. We closely monitor liquidity risk through cash flow forecasts and sensitivity analyses. We manage our 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. We maintain insurance that we believe is consistent with customary industry practices in the jurisdictions in which we do business and also procure business interruption insurance to protect against loss of production from our material assets.

Our strengths

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

Large asset base diversified across production, development and exploration

We have a growing portfolio of exploration, development and production interests in attractive geographies and known geologies with a focus on Africa and the Atlantic Margins. By focusing our activities in these core areas, we capitalize on the regional expertise we have developed over several decades in interpreting specific geological and operational trends and establish economies of scale with respect to drilling, production, operating and administrative costs. In total, we hold exploration, development and production interests in over 150 licenses across more than 20 countries. We believe the quality, scale and diversification of our portfolio provides a solid foundation for sustainable growth and risk mitigation. Our activities include:

Production: Our largest producing asset is the Jubile field offshore Ghana. In the year ended December 31, 2013, the field's gross production averaged approximately 97,500 bopd, of which 34,600 bopd represented our share. We also generated significant production from our assets located in 9 other countries, which collectively accounted for approximately 59% of our production in the year ended December 31, 2013 (47% excluding production from the Non-Core Assets).

Development: We have a number of near-term development opportunities, including the next phases of the Jubilee field, as well as the TEN Project, offshore Ghana, where we received government approval of our development plan in May 2013 and are targeting first oil in 2016; the Lake Albert Rift Basin development in Uganda; oil production from the South Lokichar Basin in Kenya; and two smaller gas-to-power projects, Banda in Mauritania and Kudu in Namibia.

Exploration and Appraisal: We have exploration interests in more than 20 countries with acreage under license of approximately 320,000 square kilometers. These interests include acreage in frontier areas, including French Guiana and Suriname in South America, the Barents Sea offshore Norway, Mauritania, Mozambique, Kenya and Ethiopia in Africa. In Kenya and Ethiopia, our interests include more than ten rift basins with similar characteristics to the Lake Albert Rift Basin in Uganda.

Strong cash generation through high-margin production and portfolio management

Our West African light oil production portfolio generates strong cash flow and, for the year ended December 31, 2013, represented approximately 77% of our average daily production (99.5% excluding production from the Non-Core Assets). In Ghana, working closely with our commercial partners, we successfully developed the world-class Jubilee field from discovery in 2007 to production in 40 months, with first oil in November 2010. Gross field production from Jubilee has grown from an average of 72,000 bopd for the year ended December 31, 2012 to approximately 97,500 bopd for the year ended December 31, 2013, of which 34,600 bopd represented our share. We also seek to invest in our other core producing assets to maintain production levels and extend field life, carrying out infill drilling campaigns and identifying operating efficiencies.

Due to the light oil-focused nature of our production and control of operating costs, we have historically achieved attractive cash margins through high-margin sales and low production, transportation and processing costs. For the year ended December 31, 2013, the average realized price per bbl post hedging from our oil production was $105.7 and the average realized price per therm on gas production post hedging was 65.6 pence ($10.26 per mscf). Over the same period, our operating cash flow per boe (including gas production) averaged approximately $59.8.

We have a strong track record of generating cash through portfolio management activities by selectively developing, farming-down or divesting our assets. In 2008, we disposed of our interests in the Hewett gas field and associated infrastructure for £207.8 million. In 2012, we monetized 604 mmboe from our interests in Ugandan contingent resources through completion of a partial farm-down of three blocks in the Lake Albert Rift Basin to Total S.A. and CNOOC for a headline consideration of $2.9 billion. More recently, in December 2013, we completed the sale of our Bangladesh assets to KrisEnergy Asia Holdings B.V. for $41.4 million. We plan to sell certain other Non-Core Assets, comprising U.K. and Dutch Southern North Sea assets and our Pakistan assets.

Proven track record of exploration and appraisal success

Much of our growth has been driven by our exploration campaigns, which focus on finding light oil in commercial quantities in conventional geological formations. We focus our exploration activities in the regions and geological plays—giant stratigraphic traps, such as Ghana, French Guiana and Mauritania, oil-prone rift basins, such as Uganda, Kenya, Ethiopia and Madagascar and prolific salt basins, such as Mauritania, the U.K., Netherlands and Gabon, and carbonates in Mauritania—in which we have significant experience and operating expertise. Since 2006, our efforts have resulted in five major basin-opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013).

During the seven years ended December 31, 2013, we invested approximately $5 billion in exploration and appraisal activities. These efforts have resulted in the addition of approximately 200 mmboe on average per annum of oil and gas to our contingent resources and opened up new opportunities for us to develop, farm-down or divest, realizing value over time or more immediately. During the seven years ended December 31, 2013, we recorded 160 successes from 218 exploration and appraisal wells, a 73% overall success ratio. We believe our approach to exploration and appraisal and our regional experience and expertise in our core plays provides us with a key competitive advantage.

Operator status and material equity position provides significant influence over assets

We generally prefer to enter into exploration and appraisal licenses as the operator, with a material equity position that represents a balance between the risks, associated costs and potential value of exploring in frontier areas. This approach enables us to set up tailored operations and control exploration strategies which leverage our significant expertise and proven track record. A material equity position also enables us to influence partners and gives us the opportunity to farm-down our interests in the appraisal or development stage of the asset life cycle while still maintaining a significant interest. If we choose to retain and develop an asset, we evaluate whether to bring in strategic partners for the development phase. This allows us to share the costs and risks, benefit from their specific areas of expertise and realize value from our previous efforts, which can include reimbursements for past costs, carries of our on-going costs or bonuses for future successes.

With respect to our interests in Ugandan licenses, we increased our equity in the three blocks during the early part of the exploration and appraisal stage to 100% to enhance control and optimize the commercial structure. Later in the exploration and appraisal phase, we farmed down two-thirds of this interest and we retained operatorship in one of the blocks. In other cases, such as with the Jubilee field, we chose to remain as an operator throughout the development and production phases. Our operatorship on the Jubilee field enabled us to build a significant presence in the country, upgrading the infrastructure, developing onshore support for the offshore operations and staffing the technical teams required. We expect that our existing Ghana operations will result in significant economies of scale with the TEN Project coming on stream. We believe that the material equity interest we have in the TEN Project (47.175%) will allow us to farm-down our interest, while maintaining operatorship and a significant production interest. We hold material equity positions in many of our exploration licenses, such as in Kenya (50-65%), Ethiopia (50%) and Mauritania (66%), where we are the operator in each, enabling us to control the exploration and appraisal campaigns on these licenses.

Strong, longstanding relationships with host countries

We have been active in Africa since acquiring our first interests in Senegal in 1986. In 2004, we acquired Energy Africa, marking the start of a multi-billion dollar investment in acquiring, appraising and developing oil and gas fields in Africa. We believe that our successful track record in our host countries, as a transparent, socially responsible operator with a goal of creating shared prosperity, means that we enjoy good working relationships and a strong reputation with local communities, governments and regulators. We believe our reputation provides a competitive advantage when entering new countries in Africa and in bidding for newly available interests in licenses.

Our approach to doing business is based on the concept of “Creating Shared Prosperity.” The foundation of this approach is to be a successful and profitable company, which enables us to meet our obligations to governments, employees and suppliers, and to generate returns for shareholders and providers of finance for our business. It also means providing opportunities for local businesses to enter our supply chains, employing local people, managing our social, environmental, health and safety impacts effectively and promoting good governance. These factors are directly linked to the success of our business, and are critical to ensuring our long-term acceptance in each country of operation.

We seek to train and hire employees who are nationals of the countries in which we operate. As of December 31, 2013, we had a total global workforce of 2,034 employees and contractors, over 50% of whom work in our African operations. In total, 85% of our employees in African countries where we operate are local nationals.

We strive to communicate openly and operate transparently and to demonstrate accountability and strong ethics, which we foster through a robust code of business conduct and compliance training. Consistent with our commitment to revenue transparency and accountability, we began publishing details of our financial payments to national governments in 2012. In our 2013 Annual Report, we published our payments in line with the EU Accounting Directive, and we also made a number of voluntary disclosures over and above the Directive, and by doing so we believe we are taking a leadership position on this important issue.

In the year ended December 31, 2013, our payments to governments, including payments in kind and taxes, totaled $870 million, and our estimated payments to all major stakeholders, including employees, shareholders, suppliers and communities brought our estimated socio-economic contribution to $1.6 billion for the year, compared with $696 million and $1.3 billion for the year ended December 31, 2012, respectively (including in the United Kingdom). As part of our social impact management, we primarily invest in projects aimed at improving education, local content and capacity building. In the year ended December 31, 2013, we invested approximately $17.4 million in discretionary social projects. This included granting more than 100 international scholarships in oil and gas related studies for students from the countries where we do business.

Of the estimated $1.6 billion socio-economic contribution in the year ended December 31, 2013, $217.0 million was spent with companies that are owned by local nationals, compared with $145.4 million spent in the year ended December 31, 2012. Our supply chain creates opportunities for local companies and labor forces to participate in the oil and gas sector, both directly and indirectly, and helps to align our social investment strategy with the economic development and local capacity needs of the host country.

Robust approach to safe and efficient operations

We actively manage the safety of all personnel working in our operations, including through the application of health and safety standards, the implementation of security measures at our facilities and audits of health and safety risks. We manage our EHS performance by measuring leading and lagging indicators in an EHS scorecard which is set annually by our board of directors. One of the performance measures we track is the recognized industry metric lost time injury frequency (“**LTIF**”). We monitor our injury rates and benchmark them against industry averages published by the International Oil and Gas Producers Association (“**OGP**”). Our LTIF was 0.8 in 2013 (0.7 in 2012) calculated per million man hours worked. In 2013, there were 17 lost-time incidents during 21.1 million man hours worked. Because this metric worsened in 2013, we have made strengthening our performance in this area a major focus for 2014 and are endeavoring to achieve a 20% reduction in our LTIF compared to 2013.

In addition, we are focused on protecting the environment for current and future generations. We take seriously our responsibility to manage our impact on the environment and strive to uphold international EHS standards, including the IFC's performance standards, which are viewed as the benchmark for sustainable environmental and social management of major development projects. The IFC, as a lender under our RBL Facilities, plays an active role in monitoring our EHS activities in Ghana. In addition, we look to establish strategic biodiversity partnerships, as demonstrated by our work with the Wildlife Conservation Society, which is surveying the coastal and offshore waters of Congo, Gabon and Equatorial Guinea to build a better understanding of the environment in which we carry out our operations.

Disciplined capital management and conservative financial profile

We believe we maintain a prudent financial profile and strong balance sheet aligned with our conservative financial strategy. As of December 31, 2013, on a *pro forma* basis after giving effect to the Refinancing, we had net debt of $1.9 billion and the ability to draw an additional aggregate $3.0 billion under our RBL Facilities and Corporate Facility.

As of December 31, 2013, we had total assets of $11.5 billion. For the year ended December 31, 2013, our sales revenue was $2.6 billion, our EBITDAX was $1.8 billion, our Adjusted EBITDAX/finance costs was 20.8x and our net debt/Adjusted EBITDAX was 1.0x. Historically, our net debt to Adjusted EBITDAX ratio was 1.5x as of December 31, 2011 and 0.6x as of December 31, 2012.

We have a strong track record of raising capital from both debt and equity capital markets and commercial banks. We believe that our ability to repeatedly access financial markets, particularly during difficult macroeconomic periods and market environments, reflects the strong relationships we have built over a number of years with both equity and debt investors, as well as our conservative financial management, strong and diversified asset base and prudent use and management of leverage.

Stable management team with decades of industry experience

Our senior management team has significant oil and gas experience, both collectively and individually, and a strong track record of delivering growth based on identifying organic and acquisition opportunities. Aidan Heavey, our chief executive officer, founded Tullow Oil in 1985 and is currently the longest-serving CEO in the FTSE 100. The executive directors on our board of directors have extensive oil and gas knowledge and together have more than 130 years of industry experience. Angus McCoss, our exploration director, is a geologist with a PhD in structural geology, with more than 25 years of industry experience. Prior to joining Tullow in 2006, he had 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Our chief financial officer, Ian Springett, is a chartered accountant who, before joining us in 2008, gained international oil and gas experience working at BP for 23 years. Our chief operating officer, Paul McDade, is an engineer with more than 25 years of experience. Before joining Tullow in 2001, he worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. Graham Martin, our company secretary, is a U.K. solicitor and joined us in 1997 from a leading international law firm and has over 30 years of experience working on U.K. and international corporate and energy transactions.

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

Recent developments

Other non-core assets for sale

We announced in 2013 that we intend to sell our businesses in the U.K. and Dutch Southern North Sea gas basin and this process is continuing. We have restructured our strategy to facilitate the sale of parts of each business. We believe this approach will appeal to a wider range of prospective buyers, which we expect will help ensure we receive appropriate value from assets that are performing well with strong cash flows.

For the year ended December 31, 2013, these assets represented 14,500 boepd (or 17%) of our production, and as of December 31, 2013 constituted 25.9 mmboe (or 6.8%) of our commercial reserves and 28.1 mmboe (or 2.7%) of our contingent resources. For more detailed information regarding how these assets affected our production and sales revenue for the years ended December 31, 2012 and 2013 and our commercial reserves and contingent resources attributable to these assets as of December 31, 2012 and 2013, see "Presentation of financial and other information—Sale of assets."

Exploration results

During 2014, we announced the Amosing-1 and Ewoi-1 oil discoveries, our sixth and seventh successful wild-cat exploration wells in the South Lokichar Basin in Kenya. These discoveries further support our plan to assess the overall potential for the basin through a program of approximately 18 exploration and appraisal wells during 2014 and 2015.

We also announced that the Emong-1 exploration well in Block 13T in Kenya, which tested a structure directly across the main basin bounding fault, which is juxtaposed against the material oil accumulation discovered by the Ngamia-1 well, encountered poorly developed oil bearing reservoir sands. The result suggests that the main basin bounding fault controls the distribution of reservoirs in this area and has no impact on the potential of the Ngamia oil accumulation.

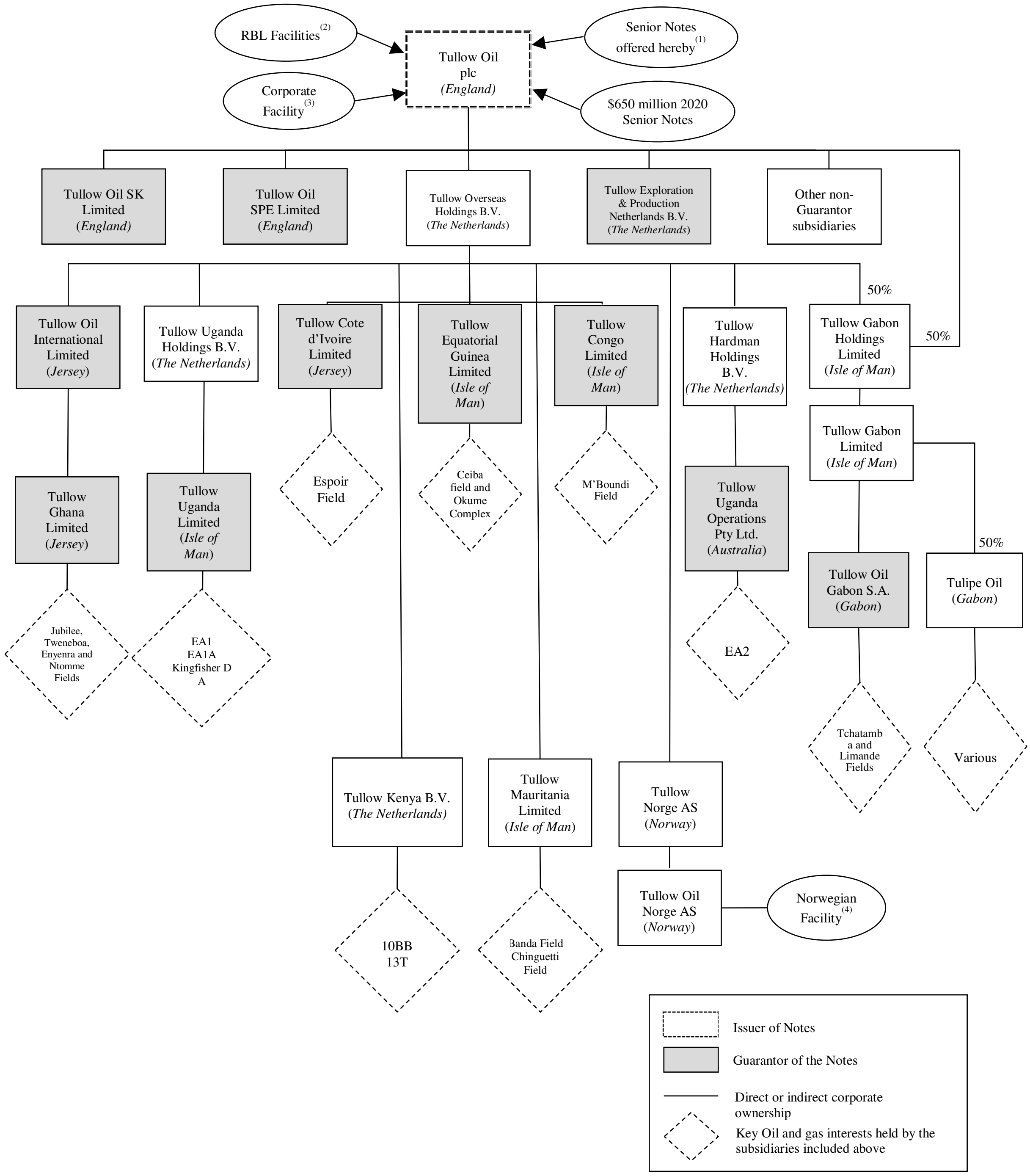
We also announced that the Etuko-2 well in Block 10BB in Kenya, which was designed to evaluate a very shallow reservoir zone penetrated in Etuko-1, but which could not be properly logged due to the wide gauge of the original well, flowed water with oil shows.

We also announced that the Fregate-1 well offshore Mauritania had discovered up to 30 meters of net gas condensate and oil accumulation and has been plugged and abandoned.

In line with our normal practice and successful efforts accounting, the cost of some of these wells will be considered for possible write-off during our half year financial reporting process.

Corporate structure and certain financing arrangements

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



(1) The Notes offered hereby will be senior debt of the Company ranking *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including the RBL Facilities, Corporate Facility and 2020 Senior Notes. The Notes will be structurally subordinated to all existing and future obligations and other liabilities (including trade payables and letters of credit) of our subsidiaries that are not Guarantors. The Notes will initially benefit from senior subordinated Note Guarantees by certain of our subsidiaries. The Note Guarantees will be senior subordinated debt of each of the relevant

Guarantors, subordinated in right of payment on the same terms as the guarantees of the 2020 Senior Notes to all existing and future senior obligations of that Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility and effectively subordinated to all existing and future secured obligations of that Guarantor (including the RBL Facilities and the Corporate Facility, where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis. As of and for the year ended December 31, 2013, the Guarantors represented 91% of the Company's consolidated sales revenue, 100% of the Company's consolidated EBITDAX and 88% of the Company's consolidated property, plant and equipment fixed assets. The Note Guarantees will be full and unconditional subject to the legal limitations described in further detail in "Description of Notes—Note Guarantees."

(2) The RBL Facilities consist of (i) a senior secured revolving credit facility agreement facility dated as of August 22, 2005, as amended and restated from time to time, with BNP Paribas as agent, (ii) a senior secured revolving credit facility agreement dated as of May 29, 2009, as amended and restated from time to time, with International Finance Corporation as lender and agent and (iii) a junior secured revolving credit facility agreement, dated as of August 22, 2005, as amended and restated from time to time, with BNP Paribas as agent. As of March 31, 2014, the outstanding balance was $1,814 million and the commitments under the RBL Facilities were $3,500 million. See "Description of certain financing arrangements—RBL facilities." We intend to use the net proceeds from the issue of the Notes to partially repay (without cancelling) the RBL Facilities.

(3) The Corporate Facility is a secured revolving credit facility agreement dated as of December 14, 2009, as amended and restated from time to time, with BNP Paribas as agent. As of March 31, 2014, the outstanding balance was nil and on or prior to the Issue Date we expect the commitments under the Corporate Facility will be $750 million. See "Description of certain financing arrangements—Corporate credit facility."

(4) The Norwegian Facility consists of a secured revolving exploration finance facility agreement dated as of June 19, 2012, as amended, restated or acceded to from time to time, with, among others, Merchant Banking, Skandinaviska Enskilda Banken AB (publ) as agent. As of March 31, 2014, the outstanding balance was NOK 1,318 million (approximately $219 million) and the commitments under the Norwegian Facility were NOK 2,000 million (approximately $333 million). See "Description of certain financing arrangements—Revolving exploration finance facility agreement." Outstanding commitments and outstanding balances as of March 31, 2014 under the Norwegian Facility, which is denominated in Norwegian Krone, have been translated into U.S. dollars at the rate published by the Oanda foreign exchange as of March 31, 2014 (NOK 6.0069 per USD 1.0000).

The offering

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

Issuer.. Tullow Oil plc, incorporated as a public limited company under the laws of England and Wales (the "Company").

Notes offered................................... \$650 million aggregate principal amount of $6^1/_4$% Senior Notes due 2022 (the "Notes").

Issue date .... On April 8, 2014.

Issue price... 100.000% (plus accrued interest, if any, from April 8, 2014).

Maturity date .... April 15, 2022.

Interest rate .... 6.250% per annum.

Interest payment dates .... We will pay interest on the Notes semi-annually in arrears on April 15 and October 15, beginning October 15, 2014. Interest will accrue from April 8, 2014.

Form and denomination.................. The Company issued the Notes on the Issue Date in global registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than \$200,000 will not be available.

Ranking of the Notes .... The Notes will be:

- general obligations of the Company;
- *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including obligations under the RBL Facilities, the Corporate Facility and 2020 Senior Notes;
- senior in right of payment to all future obligations of the Company that are subordinated in right of payment to the Notes;
- effectively subordinated to all existing and future secured obligations of the Company, including obligations under the RBL Facilities and the Corporate Facility to the extent of the value of the property and assets securing such obligations;
- structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such Subsidiaries, any borrowings of Tullow Oil Norge AS (formerly Spring Energy Norway AS) and Tullow Oil (Bream) Norge AS (formerly Spring Energy Exploration AS) under the Norwegian Facility and the guarantee by Tullow Kenya B.V. under the Corporate Facility; and
- guaranteed on a senior subordinated basis by the Guarantors, subject to limitations under applicable law as set forth below under the caption "—Guarantors."

Guarantors .... The Notes will be guaranteed on the Issue Date on a senior subordinated basis (the "Note Guarantees") by the same entities that guarantee the 2020 Senior Notes: Tullow Oil SK Limited, Tullow Cote d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Congo Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Exploration & Production Netherlands B.V., Tullow Uganda Limited and Tullow Uganda Operations Pty Ltd. (collectively, the "Guarantors").

As of December 31, 2013, after giving *pro forma* effect to the Refinancing:

- the Company and its consolidated subsidiaries had \$2.3 billion of indebtedness, of which \$1.3 billion is represented by the Notes and the 2020 Senior Notes;
- the Company and the Guarantors had \$812 million of secured indebtedness; and
- the non-Guarantor subsidiaries of the Company had \$159 million of financial indebtedness (excluding intercompany indebtedness).

As of and for the year ended December 31, 2013, the Company and the Guarantors represented 91% of the Company's consolidated sales revenue, 100% of the Company's consolidated EBITDAX and 88% of the Company's consolidated property, plant and equipment fixed assets.

Although the Indenture governing the Notes will contain limitations on the amount of additional indebtedness the Company and its restricted subsidiaries will be allowed to incur, the amount of such additional indebtedness could be substantial. The obligations of each Guarantor under its Note Guarantee will be limited to an amount that can be guaranteed under applicable laws, and will not apply to the extent a Note Guarantee would be illegal or unenforceable under applicable local and bankruptcy laws. See "Risk factors—Risks related to the Notes and our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain insolvency law considerations."

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

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

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

Use of proceeds.............................. We estimate that our net proceeds from the sale of the Notes in this offering will be approximately $639.9 million, after deducting estimated fees and expenses and the Initial Purchasers' discount. We intend to use the net proceeds from the issue of the Notes to partially repay (without cancelling) the RBL Facilities. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses. See "Use of proceeds."

Additional amounts .... All payments made by us under or with respect to the Notes or by any of the Guarantors with respect to any Note Guarantee will be made without withholding or deduction for taxes unless required by law. If the Company or any Guarantor is required by law to withhold or deduct for taxes imposed by any relevant taxing jurisdiction with respect to a payment to the holders of Notes, the Company or such Guarantor, as applicable, will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding or deduction is equal to the amount that they would have received in the absence of the withholding or deduction, subject to certain exceptions. See "Description of Notes—Additional amounts."

Optional redemption for tax reasons .... In the event of certain developments affecting taxation the Company may redeem the Notes in whole, but not in part, at any time upon giving prior notice, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "Description of Notes—Redemption for changes in taxes."

Optional redemption .... Prior to April 15, 2017, the Company may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of such Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium, as described under "Description of Notes—Optional redemption."

In addition, on or prior to April 15, 2017 the Company may redeem up to 35% of the original principal amount of each of the Notes with the net cash proceeds from specified equity offerings at a redemption price equal to 106.250% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original principal amount of the Notes remain outstanding after the redemption. See "Description of Notes—Optional redemption."

We may redeem the Notes on or after , 2017, in whole or in part, at our option at the redemption prices as described under "Description of Notes—Optional redemption."

Change of control.......................... Upon the occurrence of certain change of control events, the Company will be

	required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase. See "Description of Notes—Repurchase at the option of holders—Change of control."
Certain covenants	The Indenture will limit, among other things, the ability of the Company and its restricted subsidiaries to: • incur additional debt and issue guarantees and preferred stock; • make certain payments, including dividends and other distributions, with respect to outstanding share capital; • repay or redeem subordinated debt or share capital; • create or incur certain liens; • impose restrictions on the ability of subsidiaries to pay dividends or other payments to the Company; • make certain investments or loans; • sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; • guarantee certain types of other indebtedness of the Company or its restricted subsidiaries without also guaranteeing the Notes; • expand into unrelated businesses; • merge or consolidate with other entities, or make certain asset sales; and • enter into certain transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of Notes—Certain covenants."
Transfer restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under U.S. federal or state or any foreign securities laws. The Notes are subject to restrictions on transfer and may not be offered or sold except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. See "Notice to investors."
No prior market	The Notes will be new securities for which there is no market. Although the Initial Purchasers have informed the Company that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market- making at any time without notice. Accordingly, the Company cannot assure you that an active trading market for the Notes will develop or be maintained.
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof.
Governing law	The Notes, the Note Guarantees and the Indenture will be governed by New York law. The Guarantee Subordination Agreement is governed by the laws of England and Wales.
Trustee	Deutsche Trustee Company Limited.
Registrar, Transfer Agent and Principal Paying Agent	Deutsche Bank Trust Company Americas.
London Paying Agent	Deutsche Bank AG, London Branch.
Listing Agent	Deutsche Bank Luxembourg SA.
Risk factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth under "Risk factors" before making a decision whether to invest in the Notes.

Summary historical financial data

The following tables present our summary consolidated financial data. The financial statement data presented as of and for the years ended December 31, 2011, 2012 and 2013 has been derived from our audited annual financial statements included elsewhere in this Offering Memorandum. The fair values of the identifiable assets and liabilities of our Nuon Acquisition disclosed in the 2011 financial statements were reassessed in 2012 to reflect additional information which became available concerning conditions that existed at the date of acquisition in accordance with the provisions of IFRS 3—Business Combinations. Adjustments made to fair values previously reported have been retrospectively restated.

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

Consolidated Income Statement Data

(in millions of $)	**Year ended December 31, 2011**	**2012**	**2013**
Sales revenue	2,304.2	2,344.1	2,646.9
Gross profit	1,373.4	1,344.8	1,440.4
Administrative expenses	(122.8)	(191.2)	(218.5)
Profit on disposal[(1)]	2.0	702.5	29.5
Exploration costs written off	(120.6)	(670.9)	(870.6)
Operating profit	1,132.0	1,185.2	380.8
Profit from continuing activities before tax	1,072.9	1,115.9	313.2
Profit for the period from continuing activities	689.0	666.2	216.1

(1) The profit on disposal for the year ended December 31, 2012 includes $701.0 million related to the farm-down of two-thirds of our interests in Ugandan licenses for a headline consideration of $2.9 billion.

Consolidated Balance Sheet Data

(in millions of $)	**As of December 31, 2011**	**2012**	**2013**
Intangible exploration and evaluation assets[(2)]	5,529.7	2,977.1	4,148.3
Property, plant and equipment	3,580.3	4,407.9	4,862.9
Non-current assets	9,463.5	8,087.6	9,439.3
Current assets	1,172.4	1,294.2	2,069.3
Total assets	10,635.9	9,381.8	11,508.6
Current liabilities	(1,533.6)	(1,228.8)	(1,432.3)
Non-current liabilities	(4,336.3)	(2,831.4)	(4,629.9)
Total liabilities	(5,869.9)	(4,060.2)	(6,062.2)
Net assets	4,766.0	5,321.6	5,446.4

(2) The $2.6 billion reduction in intangible exploration and evaluation assets as of December 31, 2012 compared to December 31, 2011 consisted of $2.6 billion related to the farm-down of two-thirds of our interests in Ugandan licenses for a headline consideration of $2.9 billion and $599.9 million related to the transfer of the TEN Project from intangible exploration and evaluation assets to property, plant and equipment, which was partially offset by capital expenditures.

Consolidated Cash Flow Statement Data

(in millions of $)	**Year ended December 31, 2011**	**2012**	**2013**
Net cash generated by operating activities	1,731.3	1,520.4	1,745.3
Net cash (used in)/generated by investing activities[(3)]	(2,041.5)	721.7	(2,287.5)
Net cash generated by/(used in) financing activities[(3)]	278.9	(2,198.5)	563.5

(3) In 2012, we used $2.6 billion in cash received from the farm-down of two-thirds of our interests in Ugandan licenses to make a partial repayment of the RBL Facilities.

Other Financial Data and Key Ratios

(in millions of $, except ratios and per share information)	As of and for the year ended December 31, 2011	2012	2013
EBITDAX(4)	1,813.6	2,398.1	1,823.6
Adjusted EBITDAX(5)	1,846.5	1,779.4	1,907.8
Capital investment(6)	1,432.1	1,869.5	1,800.4
Total debt(7)	3,161.2	1,318.7	2,261.4
Net debt(7)	2,854.1	988.5	1,908.5
Finance cost	122.9	59.0	91.6
Adjusted EBITDAX/Finance costs(8)	15.0x	30.2x	20.8x
Net debt/Adjusted EBITDAX(9)	1.5x	0.6x	1.0x
Dividends paid	114.2	173.2	167.4
Dividends per share (pence)	8.0	12.0	12.0
As adjusted net debt(10)			1,918.6
As adjusted finance costs(11)			132.2
Adjusted EBITDAX/As adjusted finance costs(5)(11)			14.4x
As adjusted net debt/Adjusted EBITDAX(5)(10)			1.0x

(4) EBITDAX consists of profit from continuing activities before finance revenue and finance costs, income tax expense, depreciation, amortization and exploration costs written off. EBITDAX is not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDAX as an alternative to (a) operating profit or profit from continuing activities (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting principles.

We believe that EBITDAX is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDAX and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDAX as reported by us to EBITDAX of other companies. EBITDAX as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture. See the below table for a reconciliation of profit for the period from continuing operations to EBITDAX.

(in millions of $)	Year ended December 31, 2011	2012	2013
Profit for the period from continuing activities	689.0	666.2	216.1
Income tax expense	383.9	449.7	97.1
Finance revenue	(36.6)	(9.6)	(43.7)
Finance costs	122.9	59.0	91.6
Depreciation, depletion and amortization	533.8	561.9	591.9
Exploration costs written off	120.6	670.9	870.6
EBITDAX	1,813.6	2,398.1	1,823.6

(5) We present Adjusted EBITDAX as a further supplemental measure of our performance. Adjusted EBITDAX represents EBITDAX as adjusted for costs that are considered by management to be not reflective of our core operations. Adjusted EBITDAX is presented because we believe it is a relevant measure for assessing performance because it is adjusted for non-cash items and thus aids in an understanding our core operations in a given period. Accordingly, this information has been disclosed in this Offering Memorandum to portray a more complete and comprehensive analysis of our underlying operating performance. Other companies may calculate Adjusted EBITDAX differently than we do. Adjusted EBITDAX is not a measurement of financial performance under IFRS and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the year or any other performance measure derived in accordance with IFRS. See the below table for a reconciliation of EBITDAX to Adjusted EBITDAX.

(in millions of $)	Year ended December 31, 2011	2012	2013
EBITDAX	1,813.6	2,398.1	1,823.6
Share based payment charge (including provisions for social security)(a)	28.5	32.6	41.3

Impairment charges to property, plant and equipment[(b)]	51.0	31.3	48.0
Impairment reversal to property, plant and equipment	(17.4)	—	—
Impairment charge to assets held for sale[(c)]	—	—	4.7
Profit on disposal[(d)]	(2.0)	(702.5)	(29.5)
(Gain)/loss on hedging instruments[(e)]	(27.2)	19.9	19.7
Adjusted EBITDAX	1,846.5	1,779.4	1,907.8

(a) Share based payment charge represents the element of the non-cash charge in respect to share options in accordance with IFRS 2 that has been expensed to the income statement.

(b) Impairments to property, plant and equipment reflects the charge to the income statement which represents the difference in the fair value of an asset when compared to its carrying value on the balance sheet.

(c) The consideration post working capital adjustment for the sale of Tullow Bangladesh Limited in the year ended December 31, 2013 was lower than the carrying value of Tullow Bangladesh Limited and an impairment charge of $4.7 million was recognized in the income statement.

(d) Profit on disposal represents the accounting gain recognized on a disposal in which total proceeds exceed the carrying value on the balance sheet. We recorded $701.0 million in the year ended December 31, 2012 in respect of the farm-down of two-thirds of our interests in our Ugandan licenses. The 2013 profit on disposal primarily relates to the $30 million we provided for in 2012 in respect of the $313 million recoverable security we paid to the Uganda Revenue Authority as agent to the transaction between Tullow and Heritage Oil and Gas Limited. This balance was initially capitalized as a cost of the interests in Ugandan licenses which were subsequently disposed of. As a result, on receipt of the receivable, we recorded $30 million as a profit on disposal in our income statement. The $30 million previously provided for was treated as an investing activity in our cash flow statement while the remaining $283 million was accounted for as a decrease in receivables.

(e) (Gain)/loss on hedging instruments represents the non-charge gain or loss recorded in the income statement which represents the change in the mark to market value of our derivative financial instruments.

(6) Capital investment represents our organic expenditure on exploration and appraisal assets and oil and gas assets incurred during a period excluding certain non-cash accounting adjustments. See "Management's discussion and analysis of financial condition and results of operations" for an explanation of each of these adjustments. The following table sets forth a reconciliation of our capital expenditure to capital investment:

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Capital expenditure	1,953.9	2,135.0	2,573.1
Capitalized IFRS 2—share based payment charge	(12.7)	(15.5)	(23.3)
Norwegian tax refund[(a)]	—	—	(219.7)
Capitalized finance costs	(128.8)	(67.2)	(105.9)
Abandonment asset additions	(81.5)	(60.2)	(274.0)
Leased asset additions	—	(33.4)	—
Admin asset additions	(35.3)	(34.2)	(67.0)
Other[(b)]	(263.5)	(55.0)	(82.8)
Capital investment	1,432.1	1,869.5	1,800.4

(a) Capital expenditure is adjusted for the Norwegian tax refund. The Norwegian tax refund for the year ended December 31, 2013 represents 78% of our qualifying exploration expenditure in Norway during the year ended December 31, 2013. The refund is paid in the following year of which the expense is incurred.

(b) Other includes non-business combinations (the $305 million acquisitions of an approximately 4% interest in certain Ghana licenses in 2011) and exclusion of other non-cash adjustments to fixed asset additions made in accordance with IFRS.

(7) Net debt consists of total debt excluding accrued interest and unamortized fees less cash and cash equivalents. The following table shows the reconciliation of net debt.

	As of December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Carrying value of total borrowings	3,075.9	1,173.6	2,154.4
Accrued interest and unamortized fees	85.3	145.1	107.0

Total debt	3,161.2	1,318.7	2,261.4
Cash and cash equivalents	(307.1)	(330.2)	(352.9)
Net debt	2,854.1	988.5	1,908.5

(8) The Adjusted EBITDAX to finance costs ratio is calculated as Adjusted EBITDAX divided by Finance Costs per the income statement. The Adjusted EBITDAX to Finance Costs Ratio is not a measurement of financial performance under IFRS and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the period or any other performance measure derived in accordance with IFRS.

(9) The net debt to Adjusted EBITDAX ratio is calculated as net debt divided by Adjusted EBITDAX. The net debt to Adjusted EBITDAX ratio is not a measurement of financial performance under IFRS and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the period or any other performance measure derived in accordance with IFRS.

(10) As adjusted net debt represents total debt excluding accrued interest and unamortized fees less cash and cash equivalents after giving *pro forma* effect to the Refinancing, as if the Refinancing had occurred on December 31, 2013. Our cash and cash equivalents as of December 31, 2013 were unchanged after giving *pro forma* effect to the Refinancing. See "Capitalization."

(11) As adjusted finance costs represents cash interest payments on our total debt for the year ended December 31, 2013 after giving *pro forma* effect to the Refinancing, as if the Refinancing had occurred on January 1, 2013. See "Capitalization" and "Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk—Interest rate risk."

Summary reserves, resources, production and operating data

The following table presents our summary of oil and gas commercial reserves and contingent resources. The commercial reserves estimates presented in the table are derived entirely from the ERCE Reports. The contingent resources estimates presented in the table are derived principally from the ERCE Reports, except for certain discoveries offshore Mauritania and offshore Netherlands which were not covered by the ERCE Report and where we have included management estimates. For each reporting date noted in the table below, the percentage of total contingent resources covered by the corresponding ERCE Report exceeds 95%, save for the ERCE Reports of December 31, 2011 for which dates the percentage of total contingent resources covered by the ERCE Report is 87%. ERCE has carried out a due diligence review of management estimates of contingent resources for the discoveries offshore Mauritania and offshore Netherlands and has advised that the total contingent resources presented in the Offering Memorandum are fair and reasonable estimates.

In this Offering Memorandum, references to "commercial reserves" are to 2P reserves, which is the sum of the proved reserves plus probable reserves. Pursuant to the classifications and definitions provided by the PRMS, "proved reserves" is defined as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations and "probable reserves" is defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. "Possible reserves" are those additional reserves which, after analysis of geosciences and engineering data, are less likely to be recoverable than probable reserves. In this Offering Memorandum, references to "contingent resources" are to 2C resources. Pursuant to the classifications and definitions provided by the PRMS, 2C resources is that quantity of estimated contingent resources that in the "best estimate" scenario has a probability of at least 50% of equaling or exceeding the amounts actually recovered.

Reserves & Resources

	As of December 31,		
	2011	**2012**	**2013**
Commercial Reserves			
Oil (mmbo)	244.0	341.0	327.2
Gas (bscf)	321.7	282.3	330.0
Total Commercial Reserves (mmboe)	297.6	388.0	382.2
Contingent Resources			
Oil(1) (mmbo)	1,127.6	495.3	733.3
Gas (bscf)	1,904.7	1,916.7	1,760.8
Total Contingent Resources (mmboe)	1,445.2	814.8	1,026.8
Total Commercial Reserves and Contingent Resources (mmboe)	1,742.8	1,202.8	1,409.0

Source: ERCE Reports and management estimates

(1) The reduction in contingent resources in 2012 primarily related to the farm-down of two-thirds of our interests in Ugandan licenses and the transfer of the TEN Project to commercial reserves.

The following table details our production, realized prices and operating cost data as of and for the years ended December 31, 2011, 2012 and 2013. For additional information on price calculations, see "Management's discussion and analysis of financial condition and results of operations."

Production & Operating Data

	Year ended December 31,		
	2011	**2012**	**2013**
Total production (mmboe)	28.5	29.0	30.7
Oil production (bopd)	57,400	57,800	65,300
Condensate production (boepd)	700	700	600
Gas production (mcfd)	120,400	123,900	109,700
Total production (boepd)	78,200	79,200	84,200
Realized oil price(1) ($/bbl)	108.0	108.0	105.7
Realized gas price(1) (pence/therm)	57.0	58.5	65.6
Operating costs(2) ($/boe)	13.5	14.6	16.5
Operating cash flow(3) ($/boe)	64.2	59.3	59.8
Depletion, depreciation and amortization ($/boe)	18.0	17.9	17.8

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

(2) Operating costs are costs of sales excluding depletion, depreciation and amortization and under/overlift movements.

(3) Operating cash flow is presented before working capital movements.

Risk factors

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

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

Risks relating to the countries in which we do business

The countries in which we do business face political, economic, fiscal, legal, regulatory and social uncertainties which could materially and adversely affect our business, prospects, financial condition and results of operations

Our operations are exposed to the political, economic, fiscal, legal, regulatory and social environment of the countries in which we have assets including, but not limited to, Ghana, Uganda, Cote d'Ivoire, Equatorial Guinea, Gabon, Kenya and Ethiopia. Our business involves a high degree of risk which, despite a combination of experience, knowledge and careful evaluation, we may not be able to overcome. These risks include, but are not limited to, corruption, civil strife or labor unrest, armed conflict, terrorism, limitations or price controls on oil and gas production, sales or exports and limitations or the imposition of tariffs or duties on imports of certain goods.

In particular, exploration and development activities in developing countries and regions may require protracted negotiations with host governments, national oil companies and third parties and may be subject to economic, social and political considerations such as the risks of war, boundary disputes (including the demarcation of maritime borders, such as the ongoing dispute between Ghana and Cote d'Ivoire), activism by non-governmental organizations, actions by terrorist or insurgent groups, organized crime, community disturbances, military repression, expropriation, nationalization, renegotiation, forced change or nullification of existing contracts or royalty rates, changes in laws regarding repatriation of income, unenforceability of contractual rights, imposition of export or import controls, changing taxation policies or interpretations, adverse changes to laws (whether of general application or otherwise) or the interpretation thereof, currency exchange restrictions, inflation, changing political conditions, allegations of human rights abuses, operating in countries with discriminatory laws, the death or incapacitation of political leaders, local currency devaluation, currency controls and foreign governmental regulations that require providing the government with free carried interest, favor or require the awarding of contracts to local contractors, require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require providing subsidies for the development of land infrastructure or other social assistance. Any of the factors detailed above or similar factors could materially and adversely affect our business, results of operations or financial condition. If disputes arise in connection with our operations in developing countries, we may be subject to the exclusive jurisdiction of foreign courts or foreign arbitration tribunals or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of courts in New York or England and Wales, as applicable. If the existing body of laws and regulations in the countries in which we do business are interpreted or applied, or relevant discretions exercised, in an inconsistent or arbitrary manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder our long-term planning efforts and may create uncertainties in our operating environment, or even result in the loss of assets.

Emerging markets, including some of the countries in which we do business, face threats of terrorist activity, armed conflicts, social and civil unrest and political upheaval that are not as common in developed markets

Ongoing global terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts have had a significant effect on international finance and commodity markets. Any future national or international acts of terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts could have an adverse effect on the financial and commodities markets in the countries in which we do business and the wider global economy. In addition, such acts may pose a threat to our activities, which could range from unanticipated delays in project timetables to being forced to abandon a development to losing rights of future access to our assets and interests in licenses. Any acts of terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts causing disruptions of oil and gas exports could materially and adversely affect our business, prospects, financial condition and results of operations.

Certain emerging markets in which we do business may be more susceptible to disruptions in the international and domestic capital markets than more developed markets

There is potential for volatility and disruption in the capital and credit markets. During 2009, such markets produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. The disruptions experienced have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging and developing markets such as those in which we do business may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by levels of investor confidence in such markets as a whole and as such any factors that impact market confidence (for example, a decrease in credit ratings, state or central bank intervention in one market or terrorist activity and conflict) could affect the price or availability of funding for entities within any of these markets.

Certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could discourage foreign investment in and adversely affect the economies of these countries (including countries in which we have assets). Additionally, certain of our assets are located in land-locked jurisdictions where the monetization of assets therein may potentially be impacted by the legal regimes and political stability of bordering countries.

Investors in businesses in emerging markets such as Ghana, Uganda, Cote d'Ivoire, Equatorial Guinea, Gabon, Kenya and Ethiopia should therefore be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Notes and must decide whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

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

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

If adverse investigations or findings are made, either erroneously due to differing but legal business norms or substantiated in the future, against us, our directors, officers, employees, commercial partners or such persons or partners are found to be involved in corruption or other illegal activity, this could result in criminal or civil penalties, including substantial monetary fines, against us, our directors, officers, employees or commercial partners. Any such findings in the future could damage our reputation and our ability to do business, including by affecting our rights under our various production sharing contracts and joint operating agreements or by the loss of key personnel, and could materially and adversely affect our business, prospects, financial condition and results of operations. We may also be subject to allegations of corrupt practices or other illegal activities, which, even if subsequently proved to be unfounded, may damage our reputation and require significant expense and management time to investigate. For example, in October 2011 allegations were made in the Ugandan parliament accusing us of bribing high-level ministers within the government of Uganda, which we actively denied. This type of allegation (or any similar future allegations) could materially and adversely affect our business, prospects, financial condition and results of operation. Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by our commercial partners, or others with whom we conduct business could also damage our reputation and business and materially and adversely affect our business, prospects, financial condition and results of operations.

Underdeveloped infrastructure in certain of the countries in which we do business could have an adverse effect on our business, prospects, financial condition and results of operations

Underdeveloped infrastructure and inadequate management of such infrastructure in certain of the countries in which we do business has led to regular electricity outages and water cuts in many regions of those countries. In certain of the countries in which we do business, many businesses rely on alternative electricity and water supplies, adding to overall business costs. The unstable pricing, and possible scarcity, of fuel for power generation in certain of the countries in which we do business also increases the operational challenges that businesses face, adding to the potential fluctuation of overhead costs. Additionally, rail and road networks and telecommunications networks (fixed line and mobile) in certain of the countries in which we do business are often underdeveloped or must be developed by us. The uncertainty regarding this underdeveloped infrastructure or the costs associated with assisting in the development of such infrastructure in certain of the countries in which we do business increases the operational challenges we face and contributes to the potential fluctuation of overhead costs and may affect our ability to explore, develop and exploit our properties and to store and transport our oil and gas production. There can be no assurance that future instability in one or more of the countries in which we have assets (or in neighboring countries), actions by companies carrying out business in such countries, actions by militants or terrorists, or actions taken by the international community will not worsen the quality and availability of such infrastructure which could have a material adverse effect on our business, prospects, financial conditions or results of operations.

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

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

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

- a higher degree of discretion on the part of governmental authorities and therefore less certainty including with respect to our long-term planning,

- the lack of judicial or administrative guidance on interpreting applicable rules and regulations,

- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or

- relative inexperience of the judiciary, courts and regulatory authorities with oil and gas industry matters.

Enforcement of laws in certain of the jurisdictions in which we do business may depend on and be subject to the interpretation of such laws by the relevant local authority and such authority may adopt an interpretation which differs from the advice given to us by local lawyers or even previously by the relevant local authority itself. Taxes or other duties and fees which are intended to be of a minor nature may be significant when applied to the large sums of money involved in our business activities. Furthermore, there is limited relevant case law providing guidance on how courts would interpret such laws and the application of such laws to our contracts, joint ventures, licenses, license applications or other arrangements. Thus, there can be no assurance that contracts, joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be uncertain and susceptible to revision or cancellation, and legal redress may be uncertain or delayed. There can be no assurance that the acts of present or future governments in the countries or regions where such operations are (or will be) located, or the acts of governments of other countries that are relevant for such current or future operations, will not materially adversely affect our business, prospects, financial condition and results of operation.

In the majority of the countries in which we do business, in both developed and emerging economies, the state generally retains ownership of the minerals throughout the extraction process and consequently retains control of (and in many cases, participates in) the exploration and production of hydrocarbon reserves with our interest being an economic entitlement to a proportion of production. Accordingly, our operations may be materially affected by host governments through royalty payments, carried interests, obligatory farm-ins and back-in rights, export taxes and regulations, surcharges, value added taxes, production bonuses and other charges to a greater extent than would be the case if our operations were largely in countries where mineral resources are not predominantly state owned. In addition, transfers of interests typically require government approval, which may delay or otherwise impede such transfers, and the government may impose obligations on us to complete minimum work within specified timeframes either generally or as a condition to approving such transfers.

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

Licensing and other regulatory requirements in the countries in which we do business may be subject to amendment or reform which could make compliance with these requirements more challenging

Our current operations are, and our future operations will be, subject to licenses, approvals, authorizations, consents and permits from governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil and other hydrocarbons, taxation and environmental and health and safety matters. In particular, we, our commercial partners or other third parties may construct pipelines or other infrastructure that crosses borders including, for example, in Kenya and Uganda, which would require negotiating access and construction permissions with governments in multiple jurisdictions. If such access and permissions are not achieved, it could limit the marketability and value of our production.

We cannot guarantee that such licenses will be granted or, if granted, will not be subject to possibly onerous conditions. Our ability to obtain, sustain or renew such licenses, approvals, authorizations, consents and permits on acceptable terms may be subject to changes in regulations and policies in the jurisdictions in which we have assets and to the extent any such approvals, permits, authorizations, licenses and consents are required and not obtained or maintained, we may be curtailed or prohibited from proceeding with planned exploration or development of oil and gas properties.

We are subject to extensive government laws and regulations governing prices, taxes, royalties, allowable production, waste disposal, pollution control and similar environmental laws, the export of oil and other hydrocarbons and many other aspects of the oil and gas business. Although we believe we generally have good relations with the current governments of the countries in which we do business, there can be no assurance that the actions of present or future governments in these countries or of governments of other countries in which we may acquire assets in the future will not materially adversely affect our business, prospects, financial condition or result of operation.

Furthermore, the oil and gas sectors in African, South American and Asian countries where we conduct business are still developing and there may be a shift in policies affecting the sector, particularly in relation to host government carried interests and participation in operations. In Ghana for example, the upstream oil and gas regimes are undergoing review and the applicable oil and gas laws are likely to change. The adoption of new regulations and the implementation of any reforms may be subject to political and economic influences, which could create uncertainty. Throughout many African jurisdictions, promoting and/or requiring participation by locally-owned businesses in oil and gas assets is a high policy priority for governments. For example, Ghana recently implemented a Petroleum (Local Content and Local Participation) Regulation designed to create local jobs and increase the use of local businesses, goods and services in the oil industry, and failure to comply with this regulation and similar laws and regulations in other countries could, among other things, lead to fines and imprisonment and jeopardize our interests in licenses. We expect other African countries to make local-content requirements for extractive companies legally binding. See “Certain regulatory regimes—Ghana—Specific laws and regulations impacting the oil and gas industry.” How such local participation will be effected in these jurisdictions is uncertain, but international oil companies could be required, among other things, to bring a local partner into the asset and to carry such partner’s costs.

In addition, our ongoing and future success depends on securing and maintaining a “social license to operate” from impacted communities and other stakeholders. We believe our operations can provide valuable benefits to surrounding communities, in terms of direct employment, training and skills development, creation of demand for products and services and other community benefits associated with ongoing payment of taxes and contribution to community development funds. Notwithstanding the foregoing, communities may become dissatisfied with our activities or those of other companies in the oil and gas industry, in particular due to, among other things, the impact on traditional livelihoods, insufficient local employment and business opportunities and land acquisition and resettlement practices. Such dissatisfaction may result in civil unrest, protests, direct action, or campaigns against us, and any such actions may impact our project costs, timing or production, or in certain cases, project viability. For example, we temporarily suspended all exploration and appraisal operations in Blocks 10BB and 13T in Kenya in October 2013 as a precautionary measure in response to demonstrations by local Kenyans regarding employment concerns. Although we, on behalf of the contractor entities under the production sharing contracts covering the relevant blocks, signed a memorandum of understanding (MOU) with the Kenyan Ministry of Energy just over one week after the temporary suspension that establishes certain common principles upon which the MOU parties will focus in trying to find a long term solution to the concerns that prompted the demonstrations and we have resumed operations, we cannot be certain that similar demonstrations, either in Kenya or other countries in which we do business, will not occur or, if they do, will be resolved quickly or at all.

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

The oil and gas industry is central to the economies and future prospects for development in a number of the countries in which we currently have assets and therefore the industry is likely to be the focus of continuing attention and debate. In certain developing countries, oil and gas companies have faced the risks of expropriation or re-nationalization, breach or abrogation of license and project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls and other risks. While we adopt measures to mitigate such actions and spread the risks associated with any adverse consequences arising from such actions, we have previously experienced such adverse sovereign action affecting certain of our key development assets and may have similar experiences in the future.

As with many countries, possible future changes in the government, major policy shifts or increased security arrangements could have to varying degrees an adverse effect on the value of investments. These factors could materially and adversely affect our business, prospects, financial condition and results of operations.

We are exposed to significant risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs

We are exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we, our commercial partners or agents do business. Some of the international locations in which we do business lack a developed legal system and have high levels of corruption. Our continued expansion and worldwide operations, including in developing countries, our development of commercial relationships worldwide and the employment by us of local agents in the countries in which we have assets increase the risk of violations of anti-corruption laws, Office of Foreign Assets Control or similar laws. Violations of anti-corruption laws and sanctions regulations may be punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business.

In particular, our international operations are subject to anti- corruption laws and regulations such as the U.S. Foreign Corrupt Practices Act of 1977 ("**FCPA**"), the United Kingdom Bribery Act of 2010 ("**United Kingdom Bribery Act**") and the Norwegian Criminal Code of 1902 ("**Norwegian Criminal Code**") and are also subject to any anti-corruption laws of any jurisdiction applicable to us. The FCPA prohibits providing, offering, promising, or authorizing, directly or indirectly, anything of value to government officials, political parties, or political candidates for the purposes of obtaining or retaining business or securing any improper business advantage. As part of our business, we deal with state-owned business enterprises, the employees of which may be considered government officials for purposes of the FCPA. The provisions of the United Kingdom Bribery Act and the Norwegian Criminal Code extend beyond bribery of government officials and are more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. In particular, the United Kingdom Bribery Act (unlike the FCPA) does not require a corrupt or improper intent to be established in relation to the bribery of a public official and also applies to the active payment of bribes as well as the passive receiving of bribes. Furthermore, unlike the vicarious liability regime under the FCPA, whereby corporate entities can be liable for the acts of its employees, the United Kingdom Bribery Act introduced a new corporate offense directly applicable to corporate entities that fail to prevent bribery and did not establish and adopt adequate procedures to prevent bribery from occurring and, in certain circumstances, can render parties liable for the acts of their joint venture or commercial partners.

We have policies and procedures designed to assist our compliance with applicable laws and regulations and have trained our employees to comply with such laws and regulations and to consider the policies of and the compliance of our commercial partners when choosing entities with whom to enter into business arrangements. While we believe that we have a strong culture of compliance and that we have adequate systems of control, there can be no assurance that our policies and procedures will be followed at all times or effectively detect and prevent all violations of the applicable laws and every instance of fraud, bribery and corruption in every jurisdiction in which one or more of our employees, consultants, agents, commercial partners, contractors, sub- contractors or joint venture partners is located. As a result, we could be subject to penalties and reputational damage and material adverse consequences on our business, prospects, financial condition or results of operations if we or other parties we do business with fail to prevent any such violations or are the subject of investigations into potential violations. For example, we recently declared a state of force majeure under the production sharing contract and corresponding joint operating agreement relating to a block offshore Guinea in which we hold an interest, after the U.S. Department of Justice and U.S. Securities and Exchange Commission opened investigations into the parent company of one of our commercial partners in the license, such partner being both subject to the FCPA and listed on the New York Stock Exchange. In a press release issued by the parent company, it stated that it has received a subpoena from the U.S. Department of Justice in relation to an investigation into its activities in obtaining and retaining the concession rights created and granted under the Guinean production sharing contract and its relationships with charitable organizations, including whether such activities and relationships potentially violate the FCPA, U.S. anti-money laundering statutes and other U.S. criminal laws. As a result of the investigations, we have decided that we cannot proceed with exploratory drilling activities on the block until the matter is resolved, and accordingly declared a state of force majeure. At this time we cannot know how long the state of force majeure is likely to last or what actions either our commercial partners in the block or the government of Guinea may take in connection with our declaration of force majeure.

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

We do business in multiple jurisdictions and our profits are taxed according to the tax laws of such jurisdictions. Jurisdiction by jurisdiction fluctuations in tax rates can have an impact on projects and make certain projects less economically viable. Our tax rate, including our effective tax rate and value added tax ("**VAT**"), may be affected by changes in tax laws or interpretations of tax laws in any jurisdiction and in any financial year will reflect a variety of factors that may not be present in succeeding financial years. As a result, our tax rate may increase in future periods, which could have a material adverse effect on our financial results and, specifically, our net income, cash flow and earnings may decrease.

Tax regimes in certain jurisdictions can be subject to differing interpretations and tax rules in any jurisdiction are subject to legislative change and changes in administrative and regulatory interpretation. The interpretation by our relevant subsidiaries of applicable tax law as applied to their transactions and activities may not coincide with that of the relevant tax authorities. As a result, transactions may be challenged by tax authorities and any of our profits from activities in those jurisdictions may be subject to additional tax or additional unexpected transactional taxes (e.g., stamp duty, VAT or capital gains tax) may arise, which, in each case, could result in significant legal proceedings and additional taxes, penalties and interest, any of which could have a material adverse impact on our business, prospects, financial condition, project economics or results of operations. For example, we are currently in discussions with the government of Uganda to determine the scope and interpretation of the Ugandan VAT and its application to our operations. For further details about prior litigation in relation to tax matters, see "Our business—Legal and arbitration proceedings."

Risks relating to the oil and gas industry

Any volatility and future decreases in oil and gas prices could materially and adversely affect our business, prospects, financial condition and results of operations

Our operating results, financial condition and prospects depend substantially upon prevailing oil and gas prices, which may be adversely impacted by unfavorable global, regional and national macroeconomic conditions. Historically, prices for oil and gas have fluctuated widely for many reasons, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for oil and gas products;
- geopolitical uncertainty;
- weather conditions and natural disasters;
- access to pipelines, storage platforms, shipping vessels and other means of transporting and storing oil;
- prices and availability of alternative fuels;
- prices and availability of new technologies;

- changes in availability of, and access to, pipeline ullage;
- the ability of the members of OPEC, and other oil producing nations, to set and maintain specified levels of production and prices;
- political, economic and military developments in oil producing regions generally;
- governmental regulations and actions, including the imposition of export restrictions and taxes; and
- market uncertainty and speculative activities by those who buy and sell oil and gas on the world markets.

Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil. For example, during 2012, prices for ICE Brent crude oil decreased significantly from a daily peak of $126.22/bbl in March 2012 to a daily low of $89.23/bbl in June 2012. The average price for Brent crude oil in June 2012 was $95.93/bbl, a decrease of 23.0% from the monthly average of $124.54/bbl in March 2012. Price volatility was less prominent in other recent years: in 2011 the daily maximum and minimum Brent prices were approximately $126.65/bbl and $93.33/bbl while in 2013 the maximum and minimum prices were approximately $119.00/bbl and $96.80/bbl. We can provide no assurance as to the level of oil prices that will be achievable in the future.

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

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

The commercial reserves and contingent resources set forth in this Offering Memorandum represent estimates only and are based on a technical expert's reports. The standards utilized to prepare the commercial reserves and contingent resources information that has been extracted in this Offering Memorandum, are different from the standards of reporting adopted in other jurisdictions. Investors, therefore, should not assume that the data found in the reserves and resources information set forth in this Offering Memorandum is directly comparable to similar information that has been prepared in accordance with the reserve and resource reporting standards of other jurisdictions.

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

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

- production history compared with production from other comparable producing areas;
- quality and quantity of available data;
- interpretation of the available geological and geophysical data;
- effects of regulations adopted by governmental agencies;
- future percentages of international sales;
- future oil prices;
- capital investments;

- effectiveness of the applied technologies and equipment;
- future operating costs, tax on the extraction of commercial minerals, development costs and workover and remedial costs; and
- the judgment of the persons preparing the estimate.

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

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

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

The uncertainties in relation to the estimation of reserves summarized above also exist with respect to the estimation of resources. The probability that contingent resources will be discovered, or be economically recoverable, is considerably lower than for commercial reserves. Volumes and values associated with contingent resources should be considered highly speculative.

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

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

Our oil and gas exploration and production operations are subject to all the risks common to our industry, including premature decline of reservoirs, invasion of water into producing formations, encountering unexpected formations or pressures, low permeability of reservoirs, blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, shortages of skilled labor, sabotage of oil and gas pipelines, pollution and other environmental risks.

Certain of our facilities are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, vessel collision and damage from natural catastrophes, severe storms or other severe weather conditions. The offshore drilling we conduct could involve increased risks due to risks inherent in the nature of drilling in complicated environments and complex geological formations including blowouts, encountering formations with abnormal pressure and oil spills. In particular, our Jubilee field production is produced through a single FPSO (the Kwame Nkrumah MV12), so any technical failure or accident involving this FPSO could have a material negative impact on our Jubilee production and our resulting cash flow therefrom.

If any of these risks occur, environmental damage, including biodiversity loss or habitat destruction, injury to persons and loss of life, failure to produce oil in commercial quantities or an inability to fully produce discovered reserves could result. The risks mentioned above could also cause substantial damage to our property and our reputation and put at risk some or all of our interests in licenses, which enable us to explore and/or produce, and could result in us incurring fines or penalties as well as criminal sanctions potentially being enforced against us and/or our officers. Consequent production delays and declines from normal field operating conditions and other adverse actions taken by host governments and third-parties may result in revenue and cash flow levels being adversely affected.

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

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

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

In addition, various field operating conditions may also adversely affect production from successful wells including delays in obtaining governmental approvals, permits, licenses, authorizations or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological, mechanical conditions and payments tied to project milestones. For example, we face certain of the foregoing risks in executing our development plans with respect to the TEN Project in Ghana and our interests in licenses in Uganda. On completion of the Ugandan farm-down in 2012, we recognized $341.3 million of contingent consideration due from Total S.A. and CNOOC as a non-current receivable. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals, particularly the final investment decision for the export pipeline, prior to June 30, 2014. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable over the period July 1, 2014 to December 31, 2016. The settlement date of such approvals is the subject of ongoing discussions with the government of Uganda and our commercial partners regarding the development programme for Uganda.

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

If we are unable to replace the commercial reserves that we produce, our reserves and revenues will decline

Our future success depends on our ability to find and develop or acquire additional commercial reserves that are economically recoverable, which is dependent on oil and gas prices. Certain of our interests are in mature fields with declining production, including the M'Boundi field in Congo (Brazzaville), the Chinguetti field in Mauritania and the Espoir field in Côte d'Ivoire. While well supervision and effective maintenance operations can contribute to sustaining production rates over time, production delays and declines from normal field operating conditions cannot be eliminated. Without continued successful exploration or acquisition activities, our reserves and revenues will decline as a result of our current reserves being depleted by production. We may not be able to find, develop or acquire suitable additional reserves at acceptable costs, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may seek to increase our commercial reserves and contingent resources through acquisitions. Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves and resources, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and cannot be made with a high degree of accuracy. While we routinely perform due diligence reviews of all potential acquisition targets, such reviews will not reveal all existing or potential problems or liabilities. In addition, our review may not permit us to become sufficiently familiar with the assets or properties to fully assess their deficiencies and capabilities. See "—Risks relating to our business—There are risks inherent in our strategy of geographic diversification and acquisition of new exploration, development and production properties."

We carry out business in a highly competitive industry

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

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

Competition in our markets is intense and depends, among other things, on the number of competitors in the market, their financial power, their degree of geological, geophysical, engineering and management expertise, their degree of vertical integration, and pricing policies, their ability to develop properties on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships with host governments of the countries in which they have assets. Our competitors include those entities with greater technical, physical and financial resources than us. A recent trend among investors, which also increases competitive pressures, is for financial institutions and investment funds to financially support viable management teams with proven oil and gas experience to acquire resources in emerging markets to establish investments in the oil and gas sector and lock in supply. When looking at acquisition opportunities, we also frequently compete with major national and state-owned enterprises, which typically possess significant financial resources and are able to offer attractive and favorable prices to sellers. In addition, we have more recently seen increased competition for interests in licenses and contractor services, among other things, as companies have begun to rebalance their portfolios and shift their focus from resource plays (e.g., shale oil, tar soil and hydraulic fracturing) to conventional oil due to the increasing cost of such resource plays and heightened political attention due to their social and environmental impact.

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

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

We may not be able to keep pace with technological developments in our industry

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial costs. In addition, other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages, which may in the future allow them to implement new technologies before we can. We may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete, our business, prospects, financial condition and results of operations could be materially adversely affected. In addition, any new technology that we implement may have unanticipated or unforeseen adverse consequences, either to our business or the industry as a whole.

Climate change abatement legislation or protests against fossil fuel extraction may have a material adverse effect on our industry

Continued political attention to issues concerning climate change, the role of human activity in it and potential mitigation through regulation could have a material impact on our business. International agreements, national and regional legislation, and regulatory measures to limit greenhouse emissions are currently in various stages of discussion or implementation. Given our operations are associated with emissions of "greenhouse gases", these and other greenhouse gas emissions-related laws, policies and regulations may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with these laws and regulations is uncertain and is expected to vary depending on the laws enacted by particular countries. As such, climate change legislation and regulatory initiatives restricting emissions of greenhouse gases may adversely affect our operations, our cost structure or the demand for oil and gas. Such legislation or regulatory initiatives could have a material adverse effect by diminishing the demand for oil and gas, increasing our cost structure or causing disruption to our operations by regulators. In addition, we may be subject to activism from groups campaigning against fossil fuel extraction, which could affect our reputation, disrupt our campaigns or programs or otherwise negatively impact our business.

Risks relating to our business

There are risks inherent in our strategy of geographic diversification and acquisition of new exploration, development and production properties

We have previously undertaken a number of acquisitions of oil and gas assets (and of companies holding such assets) including, but not limited to, North Sea gas assets in the United Kingdom in 2001, Energy Africa in 2004, Hardman Resources in 2007 and Spring Energy in January 2013. In addition, from time to time as suitable opportunities arise, we may consider acquiring additional bolt-on oil and gas properties, such as Nuon in 2011. Although we perform a review of properties prior to any acquisitions that we believe is consistent with industry practice, such reviews are inherently incomplete. Ordinarily, we focus our due diligence efforts on higher valued and material properties or assets. However, even an in-depth review of all properties and records may not reveal existing or potential problems, nor will it always permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken.

We may be required to assume pre-closing liabilities with respect to an acquisition, including known and unknown environmental liabilities, and may acquire interests in properties on an "as is" basis without recourse to the seller of such interest. In addition, competition for the acquisition of prospective oil and gas properties is intense, which may increase the cost of any potential acquisition. There can be no assurance that any potential acquisition by us will be successful.

A significant proportion of our production comes from the Jubilee field in Ghana and West Africa in general, making us vulnerable to risks associated with having significant production in one country and region

The Jubilee field accounted for approximately 41% of our production in the year ended December 31, 2013 and, following the planned disposal of our interests in licenses in the U.K. and Dutch Southern North Sea, and Pakistan, we expect this proportion to increase. In addition, approximately 77% of our production in the year ended December 31, 2013 came from West Africa (including the Jubilee field). As a result of these concentrations, we may be disproportionately exposed to the effect of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, availability of equipment, equipment failure, facilities, personnel or services market limitations, weather events, or interruption of the processing or transportation of oil. Additionally, we may be exposed to additional risks, such as changes in field-wide rules and regulations that could cause us to permanently or temporarily shut-in all of our wells within the Jubilee field. Further, our interests in the field may change in circumstances beyond our control. The interests in and development of the Jubilee field are governed by a unitization and unit operating agreement. Pursuant to the terms of this agreement, our unit interest and those of our commercial partners in the Jubilee field may change following a redetermination, which occurs automatically at periodic intervals or, in certain circumstances, following the request of a party holding at least a 10% unit interest. Any redetermination could negatively affect our interests or may not otherwise be satisfactorily resolved. See "Our business—Material agreements relating to our assets—Unitization and unit operating agreement."

Our exploration and production operations are dependent on our compliance with obligations under licenses, contracts and field development plans

Our exploration and development operations must be carried out in accordance with the terms of production sharing contracts, licenses, operating agreements, annual work programs and budgets. Relevant legislation in the jurisdictions in which we do business provide that fines may be imposed and a license may be suspended or terminated if a license holder, or party to a related agreement, fails to comply with its obligations under such license or agreement, or fails to make timely payments of levies and taxes for the licensed activity, provide the required geological information or meet other reporting requirements. It may from time to time be difficult to ascertain whether we have complied with obligations under production sharing contracts and licenses as the extent of such obligations may be unclear or ambiguous and regulatory authorities in jurisdictions in which we do business may not be forthcoming with confirmatory statements that work obligations have been fulfilled, which can lead to further operational uncertainty. In addition, we and our commercial partners, as applicable, have obligations to develop the fields in accordance with specific requirements under certain licenses and related agreements, field development plans, laws and regulations. If we or they were to fail to satisfy such obligations with respect to a specific field, the production sharing contract, the license or related agreements for that field may be suspended, revoked or terminated.

The authorities in the jurisdictions in which we do business are typically authorized to, and do from time to time, inspect to verify compliance by us or our commercial partners, as applicable, with relevant laws and the licenses or the agreements pursuant to which we conduct our business. There can be no assurance that the views of the relevant government agencies regarding the development of the fields that we or our commercial partners operate or the compliance with the terms of the licenses pursuant to which we conduct such operations will coincide with our views, which might lead to disagreements that may not be resolved.

A portion of the licenses pursuant to which we conduct operations are solely exploration licenses, and as such the assets which are the subject of such licenses are not currently producing, and may never produce commercial quantities of, oil or gas. Rather, these licenses have a limited life before we are obliged to seek to convert the license to a production license, extend the license or relinquish the license area.

If hydrocarbons are discovered during the exploration license term, we or our commercial partners, as applicable, may be required to apply for a production license before commencing production. If we or our commercial partners, as applicable, comply with the terms of the relevant license, we would normally expect that a production license would be issued; however, no assurance can be given that any necessary production licenses will be granted by the relevant authorities.

Each of the exploration and production licenses or related agreements pursuant to which we conduct operations have incorporated detailed work programs which are required to be fulfilled, normally within a specified timeframe. These may include seismic surveys to be performed, wells to be drilled, production to be attained, limits to production levels and construction matters. Some jurisdictions also impose a minimum financial spend during the exploration period, which can be called for payment if the minimum work obligations are not completed.

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

We conduct some of our operations with commercial partners which may increase the risk of delays, additional costs or the suspension or termination of the licenses or the agreements that govern our assets

We have entered into business ventures with commercial partners in respect of a majority of our assets. To the extent we are not the operator of our oil and gas assets, we will be dependent on commercial partners acting as operators and will not be able to direct or control operations, the timing and performance of such activity or the costs thereof. The terms of any relevant operating agreement generally impose standards and requirements in relation to an operator's activities. While we have acquired interests in oil and gas properties that are operated by, what is believed to be, reputable operators, there can be no assurance that any such operator will observe such standards or requirements. There is also a risk that a commercial partner with interests in our oil and gas properties may elect not to participate in certain activities relating to those properties and which require that party's consent. In these circumstances, it may not be possible for such activities to be undertaken by us alone or in conjunction with other commercial partners at the desired time or at all or otherwise, to the extent permitted, such activities are undertaken with us bearing a greater proportion of the risks involved in the project. Any mismanagement of an oil or gas property by one of our commercial partners may result in delays or increased costs which could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we may suffer unexpected costs or other losses if a commercial partner does not meet obligations under agreements governing our relationship. For example, other commercial partners who have invested in our oil and gas properties may default in their obligations to fund capital or other funding obligations in relation to such properties. In such circumstances, we may be required under the terms of the relevant operating agreement to contribute all or part of any such funding shortfall, regardless of the percentage interests that we agreed with such commercial partner under such arrangements. We may also be subject to claims by our commercial partners regarding potential non- compliance with our obligations. It is also possible that our interests, on the one hand, and those of our commercial partners, on the other will not always necessarily be aligned resulting in possible project delays, additional costs or disagreements.

Failure by our commercial partners to comply with obligations under relevant licenses or the agreements pursuant to which we operate may lead to fines, penalties, restrictions and withdrawal of licenses or the agreements under which we operate. If any of our commercial partners becomes insolvent or otherwise unable to pay debts as they come due, licenses or agreements awarded to them may revert back to the relevant government authority who will then reallocate the license. Although we anticipate that the relevant government authority may permit us to continue operations at a field during a reallocation process, there can be no assurances that we will be able to continue operations pursuant to these reclaimed licenses or that any transition related to the reallocation of a license would not materially disrupt our operations or development and production schedule. The occurrence of any of the situations described above could materially and adversely affect our business, financial condition and results of operations.

Our exit strategy in relation to any particular oil and gas interest may also be subject to the prior approval of our commercial partners. The terms of operating agreements often require commercial partners to approve of an incoming participant to the business venture or provide them pre-emption rights with respect to the transfer of our interest, either of which could affect our ability to sell or transfer an interest.

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

We rely on oil field suppliers and contractors to provide materials and services in conducting our exploration and production activities. Any competitive pressures on the oil field suppliers and contractors, or substantial increases in the worldwide prices of commodities, such as steel, could result in a material increase of costs for the materials and services required to conduct our business. For example, due to high global demand and a limited number of suppliers, the cost of oil field services and goods has increased significantly in recent years and could continue to increase. Such equipment, personnel and services can be scarce and may not be readily available at the times and places required. Future increases could have a material adverse effect on our operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of our properties, our planned level of spending for exploration and development and the level of our reserves. Prices for the materials and services we depend on to conduct our business may not be sustained at levels that enable us to operate profitably. In certain cases, we may extend or provide financing to such parties in connection with the equipment or services they provide, sell or lease to us. See "Management's discussion and analysis of financial condition and results of operations—Qualitative and quantitative disclosures about market risk—Credit risk management."

Oil and gas development and exploration activities are dependent upon the availability of drilling rigs and related third-party equipment. High demand for equipment such as drilling rigs or access restrictions may affect the availability and cost of, and our access to, such equipment and may delay our development and exploration activities. Failure by us or our contractors to secure necessary equipment could materially and adversely affect our business, prospects, financial condition and results of operations.

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

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

Licensees are typically obliged under the terms of relevant production sharing contracts or production agreements, licenses or local law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites. In connection with the sale or transfer of our assets, we may retain or be liable for decommissioning liabilities, even if we have not contractually agreed to accept these liabilities. See "—Risks relating to our business—We may be unable to sell assets on attractive terms and may be required to retain liabilities for certain matters." Our financial statements as of December 31, 2013 make provisions based on our estimate of the aggregate decommissioning costs to be incurred at the end of each of our interests in licenses. These are estimates based on facts and circumstances known as of the date of such financial statements including the then extent of our operations. No guarantee can be given that such provisions shall in due course turn out to be sufficient. An increase in these decommissioning costs could materially and adversely affect our business, prospects, financial condition and results of operations.

If we fail to consummate or integrate acquisitions successfully, our financial condition and future performance could be adversely affected

Historically, we have acquired interests in additional assets on a regular basis. While we believe that we currently maintain adequate procedures, systems and controls, integrating operations, technology, systems, management, personnel and pre or post-completion costs for future acquisitions may prove more difficult and/or expensive than anticipated, thereby rendering the value of any company or assets acquired less than the amount paid. The integration of acquired businesses requires significant time and effort on the part of our management. Integration of new businesses can be difficult and disrupt our own business because our operational and business culture may differ from the cultures of the businesses we acquire, unpopular cost-cutting measures may be required, internal controls may be more difficult to maintain and control over cash flows and expenditures may be difficult to establish. While we have successfully completed the integration of the businesses we have acquired thus far, we could experience difficulties in integrating future acquisitions as successfully, which could materially and adversely affect our business, prospects, financial condition and results of operations.

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

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

Our success is dependent on the ability of our board of directors and management to operate our growing business and to manage the ongoing changes from potential future acquisitions. We have experienced significant growth and development in a relatively short period of time and expect to continue to grow as we pursue our exploration-led growth strategy, although there can be no guarantee or assurance that such rapid growth will continue or that future targets or projections will be achieved or fulfilled. Failure to manage our growth and development effectively could materially and adversely affect our business, prospects, financial condition and results of operations and increase our vulnerability to a hostile takeover.

In addition, the personal connections and relationships of our board of directors and key management are important to the conduct of our business. If we were to unexpectedly lose a member of our key management or fail to maintain one of the strategic relationships of our key management team, our business and results of operations could be materially adversely affected.

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

Attracting and retaining additional skilled personnel will be fundamental to the continued growth of our business. We require skilled personnel in the areas of exploration and development, operations, engineering, business development, oil and gas marketing, finance and accounting relating to our projects. Personnel costs, including salaries, are increasing as the standard of living rises in the countries in which we have assets and as industry-wide demand for suitably qualified personnel increases. No assurance can be given that we will successfully attract new personnel or retain existing personnel required to continue to expand our business and to successfully execute and implement our business strategy.

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

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

Any damage to our reputation, whether arising from litigation, regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with administrative agencies in the jurisdictions in which we do business, negative publicity, including from environmental activists, or the conduct of our business or otherwise, could materially and adversely affect our business, financial condition or results of operations.

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

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

In addition, in many of the countries in which we have assets, land title systems are not developed to the extent found in many industrialized countries and there may be no concept of registered title. Therefore, there can be no assurance that claims or challenges by third-parties against title to our properties will not be asserted at a future date. While every effort is made to ensure that we have good title to the interests and assets which we purport to own, proving so can be difficult in emerging markets and may, in certain instances, be impossible to determine in absolute terms. In certain countries in which we operate, for example, there is some general uncertainty over the boundaries between some upstream onshore acreage where boundaries between awarded blocks may overlap. If circumstances challenging title arise, we could suffer unexpected losses (such as halting exploration or production, or, ultimately, the loss of interests or assets), which could have a material adverse effect on our business, financial condition and results of operations.

We do not insure against certain risks and our insurance coverage may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions

We believe that the extent of our insurance cover is reasonable based on the costs of cover, the risks associated with our business, availability of insurance and industry practice. Consistent with insurance coverage generally available to the industry, our insurance currently includes cover for damage to physical assets, operator’s extra expense (well control, seepage and pollution cleanup and re-drill costs) and third-party liabilities for our global oil and gas exploration and production activities, in each case subject to excesses, exclusions and limitations. There can be no assurance that such insurance will be adequate to cover any losses or exposure for liability, or that we will continue to be able to obtain insurance to cover such risks. In certain jurisdictions, we are required to purchase insurance locally.

We are unable to give any guarantee that expenses relating to losses or liabilities will be fully covered by the proceeds of applicable insurance. Consequently, we may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. We are also subject to the future risk of unavailability of insurance, increased premiums or excesses, and expanded exclusions.

Our operations are subject to the risk of litigation

From time to time, we may be subject to litigation or arbitration arising out of our operations. Damages claimed under such proceedings may be material or may be indeterminate, and the outcome of such litigation or arbitration could materially and adversely affect our business, results of operations or financial condition. While we assess the merits of each lawsuit and defend accordingly, we may be required to incur significant expenses in defending against such litigation or arbitration and there can be no guarantee that a court or tribunal finds in our favor. We are currently party to litigation relating to our activities in Uganda. While we believe we will be successful in defending ourselves in these matters, please see “Our business—Legal and arbitration proceedings” for more information. Further, the adverse publicity surrounding such claims could materially and adversely affect our business.

The inability of one or more of our customers to meet their obligations to us may adversely affect our financial results

Traditionally, all of our accounts receivable result from oil and gas sales to third-parties in the oil and gas industry. This concentration of customers may impact our overall credit risk in that these entities may be similarly affected by various economic and other conditions, including the recent global and domestic economic and financial downturn. The inability or failure of our customer(s) to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

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

Our revenues and most of our working capital are in U.S. dollars. We convert funds to foreign currencies to meet our payment obligations in jurisdictions where the U.S. dollar is not an accepted currency as required. Certain of our costs, including certain labor and employee costs, are typically incurred in currencies other than U.S. dollars, including pounds sterling, Ghanaian cedi, Ugandan shilling, Norwegian krone and Kenyan shilling. Accordingly, we are subject to inflation in the countries in which we do business and fluctuations in the rates of currency exchange between the U.S. dollar and these currencies, and in inflation, may adversely affect our business, results of operations or financial condition. Consequently, construction, exploration, development, administration and other costs may be higher than we anticipate. In addition, the Ghanaian central bank recently has imposed exchange controls and currency restrictions, which effectively banned the use of U.S. dollars for domestic transactions and reinforced the Ghanaian cedi as the sole legal tender. Such actions are beyond our control and, depending on the length of time these controls remain in place, may result in the Ghanaian cedi ceasing to be freely convertible or transferable abroad or may result in the Ghanaian cedi being significantly depreciated relative to other currencies, including the U.S. dollar. See "Certain regulatory regimes—Ghana—Foreign exchange controls." Central banks in other jurisdictions in which we operate could impose similar regimes which may affect our financial condition and results of operations.

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

The nature of our operations results in exposure to fluctuations in commodity prices. We use financial instruments and physical delivery contracts to hedge our exposure to these risks and may continue to do so in the future. If we engage in hedging we will be exposed to credit related losses in the event of non-performance by counterparties to the associated financial instruments. Additionally, if product prices increase above those levels specified in any future hedging agreements, we could lose the cost of floors or ceilings or a fixed price could limit us from receiving the full benefit of commodity price increases. If we enter into hedging arrangements, we may suffer financial loss if we are unable to commence operations on schedule or are unable to produce sufficient quantities of oil to fulfill our obligations. In addition, we may not be able to find pricing for hedging on suitable terms.

We may be unable to sell assets on attractive terms and may be required to retain liabilities for certain matters

We regularly review our asset base to assess the market value versus holding value of existing assets, with a view to optimizing deployed capital. We currently plan to sell exploration, development and production assets in the United Kingdom and Dutch Southern North Sea and Pakistan. Our ability to sell these non-strategic assets could be affected by various factors, including the availability of purchasers willing to purchase such assets at prices acceptable to us. Sellers typically retain certain liabilities or agree to indemnify buyers for certain matters and to divest certain assets we may provide an indemnity to a buyer. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third-parties may be unwilling to release us from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, we may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations. See "—Risks relating to our business—We may face unanticipated increased or incremental costs in connection with decommissioning obligations."

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

We operate in an industry that is inherently hazardous and consequently subject to comprehensive regulation. Failure to adequately mitigate risks may result in loss of life, injury, or adverse impacts on health of employees, contractors and third-parties or the environment. Such failure, whether inadvertent or otherwise, by us to comply with applicable legal or regulatory requirements may give rise to significant liabilities and/or delays in permitting. Our health, safety and environmental policy is to observe local and national, legal and regulatory requirements and generally to apply best practices where local legislation does not exist.

The terms of licenses or permissions may include more stringent environmental and/or health and safety requirements. Our operations have the potential to impact air and water quality, biodiversity and ecosystems. Obtaining exploration, development or production licenses and permits may become more difficult or may be delayed due to governmental, regional or local environmental consultation, scientific studies, approvals or other considerations or requirements.

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

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

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

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

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

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

We do not own trademarks, service marks and trade names that we use in conjunction with the operation of our business

The image and reputation of our company constitutes a significant part of our business. We are in the process of registering, but do not currently own, trademarks, service marks and trade names that we use in our business, including the "Tullow Oil" name and logo. We cannot assure you that trade mark registrations will be issued with respect to any of our pending or planned applications. In addition, we cannot assure you that third-parties will not infringe on or misappropriate our rights or assert rights in, or ownership of, our trademarks and other intellectual property rights or in trademarks that are similar to trademarks that we are registering. Litigation may be necessary to enforce our trademark rights or to defend ourselves against claimed infringement of the rights of third-parties. If we are unable to protect our trademark rights against infringement or misappropriation, or if others assert rights in or seek to invalidate our intellectual property rights, this could materially harm our future financial results and our ability to develop our business.

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

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

Risks relating to the Notes and our structure

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

As of December 31, 2013, on a *pro forma* basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $2.3 billion of debt outstanding, of which $1.0 billion would have been secured indebtedness (including $812 million of structurally senior secured indebtedness) and of which $1.3 billion would have been unsecured indebtedness represented by the Notes and the 2020 Senior Notes. Prior to the Issue Date, we expect to have approximately $4.3 billion of commitments under the RBL Facilities, Corporate Facility and Norwegian Facility (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) and, on a *pro forma* basis after giving effect to the Refinancing, we expect we would have had additional availability of approximately $3.0 billion (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) under such facilities. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

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

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

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

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

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness. Although the Indenture will contain, and our 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility and Norwegian Facility do contain, restrictions governing the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we or our subsidiaries incur new debt or other obligations, the related risks that we face, as described in "—Our leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes and the Note Guarantees" and elsewhere in these "Risk factors," could increase. In addition, the Indenture will not, and the 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility and Norwegian Facility do not, prevent us from incurring obligations that do not constitute indebtedness as defined under those agreements.

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

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

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

Our ability to make payments on, or repay or refinance, our debt, and to fund working capital and capital investments, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors and other factors discussed in these "Risk factors," many of which are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on the satisfaction of the covenants in our 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility, Norwegian Facility and our other debt agreements, including the Indenture, and other agreements we may enter into in the future. Specifically, we will only be permitted to draw under our RBL Facilities and Corporate Facility if we satisfy a specified minimum ratio based on consolidated total net borrowings to consolidated EBITDA. We cannot assure you that our business will generate sufficient cash flow from operations or that future debt and equity financings will be available to us in an amount sufficient to enable us to pay our debt, including the Notes, or to fund our other liquidity needs.

Prior to repayment of the Notes, we will be required to refinance or repay certain other debt, including debt under the 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility and Norwegian Facility. See "Management's discussion and analysis of financial condition and results of operations." We cannot assure you that we will be able to refinance or repay any of our debt, including the Notes, on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. If we are unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as:

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

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. Any failure to make payments on our debt, including the Notes, on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility and Norwegian Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives. There can be no assurance that any assets that we may elect to sell can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under our debt and result in:

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

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

The Indenture will, and our 2020 Senior Notes Indenture, RBL Facilities, Corporate Facility and Norwegian Facility do, restrict, among other things, our ability to:

- incur additional debt and issue guarantees and preferred stock;

- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Company;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries;
- in the case of the Indenture and 2020 Senior Notes Indenture, guarantee certain types of our other indebtedness without also guaranteeing the Notes and the 2020 Senior Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities, or make certain asset sales; and
- enter into certain transactions with affiliates.

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

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

In addition, if an unexpected change to accounting standards occurs or we fail to correctly interpret a new or modified accounting standard, we may be unable to comply with our maintenance covenants.

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

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

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

The Company is a holding company with no business operations or significant assets other than the equity interests it holds in its subsidiaries and certain intercompany loans. Following the Refinancing, the Company's material liabilities will be the Notes, amounts due to subsidiaries under intercompany loans, the 2020 Senior Notes and drawings (if any) under the RBL Facilities, Corporate Facility and Norwegian Facility. The Company will be dependent upon cash flows from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. If our subsidiaries do not distribute cash to the Company to make scheduled payments on the Notes, the Company may not have any other source of funds that would allow it to make payments to holders of the Notes.

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

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

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

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

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

- subordinated in right of payment to all existing and future senior obligations of the respective Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility;

- *pari passu* in right of payment with all existing and future senior subordinated obligations of that Guarantor, including such Guarantor's guarantee of the 2020 Senior Notes;

- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and

- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RBL Facilities and the Corporate Facility, where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and ratable or senior basis.

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

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

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

As of December 31, 2013, on a *pro forma* basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $2.3 billion of debt outstanding, of which $1.0 billion would have been secured indebtedness (including $812 million of structurally senior secured indebtedness) and of which $1.3 billion would have been unsecured indebtedness represented by the Notes and the 2020 Senior Notes. Prior to the Issue Date, we expect to have approximately $4.3 billion of commitments under the RBL Facilities, Corporate Facility and Norwegian Facility (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) and, on a *pro forma* basis after giving effect to the Refinancing, we expect we would have had additional availability of approximately $3.0 billion (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) under such facilities. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

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

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

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

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

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

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

- upon the liquidation or dissolution of the respective Guarantor; *provided* that no default or event of default has occurred or is continuing;
- as described under the "Amendment, supplement and waiver" provisions of the Indenture; or
- upon the respective Guarantor consolidating or amalgamating with, merging into or transferring all of its properties or assets to the Company or another Guarantor, and as a result of, or in connection with, such transaction such Guarantor dissolving or otherwise ceasing to exist.

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

- the proceeds of such sale or disposal are in cash (or substantially in cash);
- all present and future obligations owed to the creditors under certain senior finance documents by a member of our group are unconditionally released and discharged or sold or disposed of concurrently with such sale; and
- such sale or disposal (including any sale or disposal of any claim) is made:

  a) pursuant to a public auction; or

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

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

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

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

On a *pro forma* basis after giving effect to the Refinancing, as of and for the year ended December 31, 2013, our subsidiaries that are not Guarantors collectively represented 9% of our consolidated sales revenue, 0% of our consolidated EBITDAX and 12% of our consolidated property, plant and equipment fixed assets. As of December 31, 2013, such non-Guarantors were obligors on $159.4 million, or 7%, of our consolidated third-party debt.

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

Claims of the secured creditors of the Company and the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the Notes and Note Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Company or the relevant Guarantor (including obligations with respect to the RBL Facilities and Corporate Facility) to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets in the future also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Company or any Guarantor that has secured obligations, holders of secured indebtedness will have priority claims to the assets of the Company or such Guarantor that constitute their collateral (other than to the extent such assets in the future also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). Subject to the limitations referred to under the caption "—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability," the holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Company, such as the 2020 Senior Notes, or in the case of a Guarantor, the relevant Guarantor, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Company or the relevant Guarantor. If any of the secured indebtedness of the Company or the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes or the relevant Note Guarantee. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of the Company or the relevant Guarantor.

As of December 31, 2013, on a *pro forma* basis after giving effect to the Refinancing, we would have had an aggregate principal amount of $2.3 billion of debt outstanding, of which $1.0 billion would have been secured indebtedness (including $812 million of structurally senior secured indebtedness) and of which $1.3 billion would have been unsecured indebtedness represented by the Notes and the 2020 Senior Notes. Prior to the Issue Date, we expect to have approximately $4.3 billion of commitments under the RBL Facilities, Corporate Facility and Norwegian Facility (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) and, on a *pro forma* basis after giving effect to the Refinancing, we expect we would have had additional availability of approximately $3.0 billion (excluding the expected amendment and increase of the Corporate Facility by $250 million prior to the Issue Date) under such facilities. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

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

The Company is organized under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands. Future subsidiaries of the Company may be incorporated in other jurisdictions and are or may be subject to the insolvency laws of such jurisdictions. Moreover, pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), if a company conducts business in more than one Member State of the European Union, the insolvency laws of the Member State (other than Denmark) in which such company's center of main interests is found may apply, which could be the laws of a Member State different from the jurisdiction of incorporation.

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

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

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

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

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

- the relevant Note Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Note Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Note Guarantee;

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Note Guarantee and the Guarantor: (i) was insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) was undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Note Guarantee was not validly established or authorized or otherwise contravenes the relevant Guarantor's articles of association;

- the relevant Note Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

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

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

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

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;

- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or

- it cannot pay its debts as they become due.

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

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

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

The Indenture will contain and the 2020 Senior Notes Indenture contains provisions relating to certain events constituting a "change of control" of the Company. Upon the occurrence of certain events constituting a change of control, we will be required to offer to repurchase all outstanding Notes and 2020 Senior Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase.

If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes, as well as the 2020 Senior Notes, or that the restrictions in the RBL Facilities and Corporate Facility, the Guarantee Subordination Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default, or acceleration of the debt, under the RBL Facilities and the Corporate Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. The ability of the Company to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing debt instruments. If we would require third-party financing to make an offer to repurchase the Notes upon a change of control, we cannot assure you that we will be able to obtain such financing. Any failure by the Company to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the 2020 Senior Notes Indenture, RBL Facilities and Corporate Facility. See "Description of Notes—Repurchase at the option of holders—Change of control."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or

- the prices at which you may be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities (including the 2020 Senior Notes) and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

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

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

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's or a rating of BBB− or better from Standard & Poor's or Fitch and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the Indenture will not apply to the Notes:

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

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

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

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

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

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

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

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

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

This document is intended for the use of the offeree(s). Listing of any of the Notes on the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Luxembourg has been authorized.

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

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

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

Use of proceeds

We estimate that our net proceeds from the sale of the Notes in this offering will be approximately $639.9 million, after deducting fees and expenses and the Initial Purchasers' discount. We intend to use the net proceeds from the issue of the Notes to partially repay (without cancelling) the RBL Facilities. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses. For descriptions of our current and anticipated indebtedness following the Refinancing, see "Description of certain financing arrangements." See also "Capitalization."

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2013 on a historical basis and as adjusted to reflect the Refinancing, including the application of the net proceeds of the Notes as described in "Use of proceeds" as if these events had occurred on December 31, 2013. The historical consolidated financial information has been derived from our audited consolidated financial statements as of and for the year ended December 31, 2013 prepared in accordance with IFRS as issued by the International Accounting Standards Board and adopted by the European Union and which are included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "Use of proceeds," "Management's discussion and analysis of financial condition and results of operations," "Description of certain financing arrangements" and the consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2013.

	As of December 31, 2013		
(in millions of $)	**Historical**	**Adjustments**	**As adjusted**
Cash and cash equivalents(1)	352.9	—	352.9
Debt			
RBL Facilities(2)	1,452.0	(639.9)	812.1
Corporate Facility(3)	—	—	—
Norwegian Facility(4)	159.4	—	159.4
2020 Senior Notes	650.0	—	650.0
Senior Notes	—	650.0	650.0
Total debt(5)	2,261.4	10.1	2,271.5
Equity			
Equity attributable to equity holders of the parent	5,322.9	—	5,322.9
Equity attributable to non-controlling interests	123.5	—	123.5
Total equity	5,446.4	—	5,446.4
Total capitalization(6)	7,707.8	10.1	7,717.9

(1) As of December 31, 2013, cash and cash equivalents includes $201.0 million of cash held in bank accounts related to business ventures with our commercial partners. Although these balances are short-term and highly liquid, they are restricted for use within the business ventures to which they relate and cannot be used for our general funding requirements.

(2) The RBL Facilities consist of (i) a senior secured revolving credit facility agreement facility dated as of August 22, 2005, as amended and restated from time to time, with BNP Paribas as agent, (ii) a senior secured revolving credit facility agreement dated as of May 29, 2009, as amended and restated from time to time, with International Finance Corporation as lender and agent and (iii) a junior secured revolving credit facility agreement, dated as of August 22, 2005, as amended and restated from time to time, with BNP Paribas as agent. As of March 31, 2014, the outstanding balance was $1,814 million and the commitments under the RBL Facilities were $3,500 million. See "Description of certain financing arrangements—RBL facilities." See "Description of certain financing arrangements—RBL Facilities."

(3) The Corporate Facility is a secured revolving credit facility agreement dated as of December 14, 2009, as amended and restated from time to time, with BNP Paribas as agent. As of March 31, 2014, the outstanding balance was nil and on or prior to the Issue Date we expect the commitments under the Corporate Facility will be $750 million. See "Description of certain financing arrangements—Corporate credit facility."

(4) The Norwegian Facility is a secured revolving exploration finance facility agreement dated as of June 19, 2012, as amended, restated or acceded to from time to time, with, among others, Merchant Banking, Skandinaviska Enskilda Banken AB (publ) as agent. As of March 31, 2014, the outstanding balance was NOK 1,318 million (approximately $219 million) and the commitments under the Norwegian Facility were NOK 2,000 million (approximately $333 million). See "Description of certain financing arrangements—Revolving exploration finance facility agreement." Outstanding commitments and outstanding balances as of March 31, 2014 under the Norwegian Facility, which is denominated in Norwegian Krone, have been translated into U.S. dollars at the rate published by the Oanda foreign exchange as of March 31, 2014 (NOK 6.0069 per USD 1.0000).

(5) Total debt excludes accrued interest and unamortized fees.

(6) Capitalization is calculated as the sum of total debt and total equity.

Selected financial data

The following tables present our selected consolidated financial data. The financial statement data presented as of and for the years ended December 31, 2011, 2012 and 2013 has been derived from our audited annual financial statements included elsewhere in this Offering Memorandum, except that the fair values of the identifiable assets and liabilities of our Nuon Acquisition disclosed in the 2011 financial statements were reassessed in 2012 to reflect additional information which became available concerning conditions that existed at the date of acquisition in accordance with the provisions of IFRS 3—Business Combinations. Adjustments made to fair values previously reported have been retrospectively restated.

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

Consolidated Income Statement Data

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Sales revenue	2,304.2	2,344.1	2,646.9
Gross profit	1,373.4	1,344.8	1,440.4
Administrative expenses	(122.8)	(191.2)	(218.5)
Profit on disposal(1)	2.0	702.5	29.5
Exploration costs written off	(120.6)	(670.9)	(870.6)
Operating profit	1,132.0	1,185.2	380.8
Profit from continuing activities before tax	1,072.9	1,115.9	313.2
Profit for the period from continuing activities	689.0	666.2	216.1

(1) The profit on disposal for the year ended December 31, 2012 includes $701.0 million related to the farm-down of two-thirds of our interests in Ugandan licenses for a headline consideration of $2.9 billion.

Consolidated Balance Sheet Data

	As of December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Intangible exploration and evaluation assets(2)	5,529.7	2,977.1	4,148.3
Property, plant and equipment	3,580.3	4,407.9	4,862.9
Non-current assets	9,463.5	8,087.6	9,439.3
Current assets	1,172.4	1,294.2	2,069.3
Total assets	10,635.9	9,381.8	11,508.6
Current liabilities	(1,533.6)	(1,228.8)	(1,432.3)
Non-current liabilities	(4,336.3)	(2,831.4)	(4,629.9)
Total liabilities	(5,869.9)	(4,060.2)	(6,062.2)
Net assets	4,766.0	5,321.6	5,446.4

(2) The $2.6 billion reduction in intangible exploration and evaluation assets as of December 31, 2012 compared to December 31, 2011 consisted of $2.6 billion related to the farm-down of two-thirds of our interests in Ugandan licenses for a headline consideration of $2.9 billion and $599.9 million related to the transfer of the TEN Project from intangible exploration and evaluation assets to property, plant and equipment, which was partially offset by capital expenditures.

Consolidated Cash Flow Statement Data

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Net cash generated by operating activities	1,731.3	1,520.4	1,745.3
Net cash (used in)/generated by investing activities(3)	(2,041.5)	721.7	(2,287.5)
Net cash generated by/(used in) financing activities(3)	278.9	(2,198.5)	563.5

(3) In 2012, we used $2.6 billion in cash received from the farm-down of two-thirds of our interests in Ugandan licenses to make a partial repayment of the RBL Facilities.

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

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

Unless otherwise indicated, all references to our interests in licenses, our acreage under license, commercial reserves, contingent resources, production and sales revenue include our Non-Core Assets, comprising U.K. and Dutch Southern North Sea and Pakistan assets, which we are in the process of selling, or planning to sell, and Bangladesh assets, which we sold in December 2013. For more information regarding the characteristics of and results attributable to the assets being sold, please see “Presentation of financial and other information—Sale of assets.”

Overview

We are one of the world’s leading independent oil and gas exploration and production companies, with a large and diversified portfolio of interests focused on Africa and the Atlantic Margins. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We aim to build a business which has an unrivalled competitive position differentiated from our peers. We plan to do this by having a balanced yet diversified portfolio of high-impact exploration assets, selective developments and material production which delivers long-term sustainable value growth for all our stakeholders, while ensuring the safety of our people and minimizing environmental impacts.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. During the 1990s and 2000s we expanded by acquiring companies, assets and interests in licenses in Europe, Africa, South America and Asia, transforming us into a more balanced oil and gas exploration and production company. Since 2006, our drilling exploration and appraisal campaigns have resulted in five basin-opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field offshore Ghana. Our development team, together with our partners, brought the field on stream in 40 months from discovery, adding significant new commercial reserves and establishing our deep water development and operatorship capabilities.

Our portfolio of over 150 licenses includes producing assets, near term development projects and high impact exploration opportunities in more than 20 countries organized into three geographic regions: West and North Africa, South and East Africa and Europe, South America and Asia. As of December 31, 2013, we had commercial reserves of 382.2 mmboe (of which 86% was oil) and aggregate commercial reserves and contingent resources of 1,409.0 mmboe (of which 75% was oil). For the year ended December 31, 2013, our production averaged 84,200 boepd, our sales revenue was $2.6 billion and our EBITDAX was $1.8 billion and, as of December 31, 2013, our net debt/Adjusted EBITDAX was 1.0x. For an explanation of EBITDAX, Adjusted EBITDAX and net debt/Adjusted EBITDAX, see “Summary historical financial data.” Our portfolio consists of producing assets in nine countries. Our West African light oil production portfolio generates the majority of our cash flow and, for the year ended December 31, 2013, represented approximately 77% of our average daily production (99.5% excluding production from the Non-Core Assets). Our largest producing asset is the Jubilee field offshore Ghana, which we operate on behalf of ourselves, Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. For the year ended December 31, 2013, the Jubilee field contributed approximately 41% of our 84,200 boepd production (53% excluding production from the Non-Core Assets). Our other significant West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d’Ivoire, Mauritania, onshore Congo (Brazzaville) and offshore and onshore Gabon. Our future plans include developing to production several of our recent discoveries, including the TEN Project offshore Ghana, discoveries in the Lake Albert Rift Basin onshore Uganda and the South Lokichar Basin in Kenya. See “Our business—Production and development” for a description of these and our other development projects and the significant capital expenditure they will require.

We have exploration interests in more than 20 countries with acreage under license of approximately 320,000 square kilometers. In the seven years ended December 31, 2013, we drilled 218 exploration and appraisal wells, 73% of which were successful, and organically added approximately 200 mmboe on average per annum of oil and gas to our contingent resources, opening up new oil regions and adding assets for us to monetize via development, farm-downs or divestments. In the year ended December 31, 2013, we invested $1.1 billion in exploration and appraisal activities and drilled 57 exploration and appraisal wells, 65% of which were successful, discovered a new oil basin in Norway and added commercial reserves and contingent resources equivalent to more than 750% of our production during that year. During 2014, we plan to continue our exploration and appraisal campaigns in the East Africa Rift Basin, East Africa Transform Margin, West Africa Transform Margin, the Guyanas Transform Margin, Norwegian Continental Shelf and the Central Atlantic Margins.

We actively manage our portfolio by seeking to realize value at appropriate points in the life cycle of an asset. In 2012, we farmed down two-thirds of our 100% interest in three blocks in Uganda to Total S.A. and the China National Offshore Oil Corporation Limited ("CNOOC"), monetizing 604 mmboe of contingent resources during the exploration and appraisal stage. We received a headline consideration of $2.9 billion in this partial sale, while retaining operatorship of one of the blocks. We are continuing discussions with potential participants regarding a partial farm-down of our 47.175% interest in the TEN Project in Ghana, which we operate, in return for a carry of future development costs. We also plan to sell our Non-Core Assets in the U.K. and Dutch Southern North Sea and Pakistan, and have sold our Non-Core Assets in Bangladesh, which collectively contributed approximately 18,900 boepd to our average production for the year ended December 31, 2013 (or 22% of our overall total).

Headquartered in London, we had 2,034 employees and contractors globally as of December 31, 2013, with over 50% working in our African operations. Our ordinary shares are quoted on the London, Irish and Ghanaian stock exchanges and we are a constituent of the FTSE 100 index. As of March 31, 2014, our market capitalization was approximately $11 billion.

Recent developments

Other non-core assets for sale

We announced in 2013 that we intend to sell our businesses in the U.K. and Dutch Southern North Sea gas basin and this process is continuing. We have restructured our strategy to facilitate the sale of parts of each business. We believe this approach will appeal to a wider range of prospective buyers, which we expect will help ensure we receive appropriate value from assets that are performing well with strong cash flows.

For the year ended December 31, 2013, these assets represented 14,500 boepd (or 17%) of our production, and as of December 31, 2013 constituted 25.9 mmboe (or 6.8%) of our commercial reserves and 28.1 mmboe (or 2.7%) of our contingent resources. For more detailed information regarding how these assets affected our production and sales revenue for the years ended December 31, 2012 and 2013 and our commercial reserves and contingent resources attributable to these assets as of December 31, 2012 and 2013, see "Presentation of financial and other information—Sale of assets."

Exploration results

During 2014, we announced the Amosing-1 and Ewoi-1 oil discoveries, our sixth and seventh successful wild-cat exploration wells in the South Lokichar Basin in Kenya. These discoveries further support our plan to assess the overall potential for the basin through a program of approximately 18 exploration and appraisal wells during 2014 and 2015.

We also announced that the Emong-1 exploration well in Block 13T in Kenya, which tested a structure directly across the main basin bounding fault, which is juxtaposed against the material oil accumulation discovered by the Ngamia-1 well, encountered poorly developed oil bearing reservoir sands. The result suggests that the main basin bounding fault controls the distribution of reservoirs in this area and has no impact on the potential of the Ngamia oil accumulation.

We also announced that the Etuko-2 well in Block 10BB in Kenya, which was designed to evaluate a very shallow reservoir zone penetrated in Etuko-1, but which could not be properly logged due to the wide gauge of the original well, flowed water with oil shows.

We also announced that the Fregate-1 well offshore Mauritania had discovered up to 30 meters of net gas condensate and oil accumulation and has been plugged and abandoned.

In line with our normal practice and successful efforts accounting, the cost of some of these wells will be considered for possible write-off during our half year financial reporting process.

Significant factors affecting results of operations

Price of oil and gas

The prevailing price of crude oil and gas significantly affects our operations and also affects the levels of our entitlement reserves and therefore depreciation. The impact of a change in oil and gas prices to entitlement reserves and therefore depreciation occurs under the cost recovery model in production sharing contracts, where an increase in oil prices will result in lower reserves being needed to recover costs and a decrease in oil prices will result in higher reserves being needed to recover costs. Furthermore, any reserves that are constrained by an economic threshold will be impacted by changes in oil and gas prices. A decrease in an oil or gas price could lead to reduction in the economic life of a field, which will decrease the commercial reserves. Crude oil and gas prices have historically been volatile, dependent upon the balance between supply and demand and particularly sensitive to OPEC production levels.

Our oil sales are primarily priced against the ICE Brent crude oil benchmark. For a portion of our contracts, however, a local benchmark is used, such as "le Prix de Cession Officiel" in Gabon. The average Brent crude oil quoted price decreased by 4% from $111.68 per bbl for the year ended December 31, 2012 to $107.60 per bbl for the year ended December 31, 2013. The following table presents information on Brent crude oil prices for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in $/bbl)	**2011**	**2012**	**2013**
Average price for the period	110.91	111.68	107.60
Highest price for the period	126.65	126.22	118.90
Lowest price for the period	93.33	89.23	96.79

Source: ICE (International Commodities Exchange)

Our gas sales are priced using various benchmarks such as United Kingdom NBP, United Kingdom TTF and Netherlands NIP, with United Kingdom NBP being our most widely used benchmark. The average United Kingdom NBP quoted price increased by 9% to 64.79 pence per therm for the year ended December 31, 2013 from 59.50 pence per therm for the year ended December 31, 2012. The following table presents information on United Kingdom NBP gas prices for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in pence/therm)	**2011**	**2012**	**2013**
Average price for the period	56.12	59.50	64.79
Highest price for the period	65.65	98.63	105.00
Lowest price for the period	41.25	50.35	39.25

Source: Heren European Spot Gas Market

Production volumes

In addition to oil and gas prices, production volumes are a primary revenue driver. Our production levels also affect the level of our reserves and depreciation. The volume of our oil and gas resources and production volumes may be lower than estimated or expected. See "Risk factors—Risks relating to the oil and gas Industry—The level of our oil and gas commercial reserves and contingent resources, their quality and production volumes may be lower than estimated or expected." In addition, certain of our interests are in mature fields with declining production, including the M'Boundi field in Congo (Brazzaville), the Chinguetti field in Mauritania and the Espoir field in Côte d'Ivoire.

The following table presents information on our oil and gas production for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
	2011	**2012**	**2013**
Average daily oil production for the period (bopd)	57,400	57,800	65,300
Average daily gas production for the period (mcfd)	120,400	123,900	109,700
Average daily condensate production for the period (boepd)	700	700	600
Total average daily production for the period (boepd)	78,200	79,200	84,200
Total average daily sales volumes for the period (boepd)	66,800	68,000	74,400

The following table presents information on our total average daily oil and gas production by region and country for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in boepd)	**2011**	**2012**	**2013**
West & North Africa			
Ghana	23,500	25,450	34,600
Equatorial Guinea	13,050	11,200	9,700
Gabon	12,700	14,000	13,300
Côte d'Ivoire	3,750	3,400	3,500
Congo (Brazzaville)	3,000	2,500	2,600
Mauritania	1,400	1,300	1,300
West & North Africa Total	57,400	57,850	65,000
Europe			

U.K.—CMS Area	11,500	9,300	8,900
U.K.—Thames Area	1,000	750	300
The Netherlands	3,000	6,350	5,300
Norway	—	—	300
Europe Total	15,500	16,400	14,800
Asia and South America Total[(1)]	5,300	4,950	4,400
Group Total	78,200	79,200	84,200

(1) Includes our producing assets in Bangladesh, which we have sold, and Pakistan, which we plan to sell. See "Presentation of financial and other information—Sale of assets."

Derivative financial instruments

We hold a portfolio of commodity derivative contracts with various counterparties, which relate to our underlying oil and gas businesses. Such commodity derivatives tend to be priced using benchmarks, such as Brent Dated crude oil and United Kingdom NBP (D-1 Heren and M-1 Heren), which correlate as closely as possible to the underlying oil and gas revenues, respectively. We hedge a portion of our estimated oil and gas revenues on a portfolio basis, aggregating our oil revenues from substantially all of our African oil interests and our gas revenues from substantially all of our U.K. and Netherlands gas interests. In addition to these contracts, we hold a small portfolio of interest rate derivatives.

All of our oil and gas derivatives have been designated as cash flow hedges as of and for the years ended December 31, 2011, 2012 and 2013. Our oil and gas hedges have been assessed by us to be "highly effective" within the range prescribed under IAS 39 using regression analysis. However, there is the potential for a degree of ineffectiveness in our oil hedges arising from, among other factors, the discount on our crude oil located in Africa relative to Brent Dated crude oil and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness in our gas hedges arising from, among other factors, day-to-day field production performance. See "—Derivative financial instruments."

Oil and gas reserves

We estimate our commercial reserves using standard recognized evaluation techniques. This estimate is reviewed internally at least semi-annually and is regularly reviewed by independent consultants. We estimate future development costs taking into account the level of development required to produce the commercial reserves we have elected to develop by reference to other similar operators, where applicable, reviews by external engineers and our experience. See "—Price of oil and gas."

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

Underlying operating costs

Underlying operating costs are operating expenses that are either variable or fixed and include royalties paid in respect of our production. The variable element of operating costs will increase (or decrease) with the level of production, therefore an increase (or decrease) in production will result in an increase (or decrease) in underlying variable operating costs. The main variable operating costs that affect our results include the costs associated with the use of infrastructure and production consumables. Fixed operating costs are substantially independent from production levels and therefore do not increase (or decrease) with an increase (or decrease) of our level of production. Fixed operating costs include routine and non-routine maintenance costs. Certain significant maintenance programs will also result in the shut-in of production for a period of time. An increase in fixed operating costs will result in an increase in underlying operating costs per boe due to higher costs with no associated increase in production.

Exploration and appraisal success and exploration costs written-off

We face inherent risks in connection with our exploration and appraisal activities. The success or failure of our exploration and appraisal activities will affect the level of our resources recognized and our future development plans for a particular licensed area.

For the years ended December 31, 2011, 2012 and 2013, we had exploration costs written-off of $120.6 million, $670.9 million and $870.6 million, respectively, in relation to our intangible exploration and evaluation assets following unsuccessful exploration and appraisal activities. We account for such write-offs using the successful efforts method of accounting. See "—Critical accounting policies—Carrying value of intangible exploration and evaluation assets."

Development and production success and impairment

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

For the year ended December 31, 2013, we recognized an impairment charge of $53 million ($1.7/boe), which was comprised of an increase in anticipated future decommissioning costs on the Thames field ($44 million), the difference between the disposal proceeds and net book value of Tullow Bangladesh Limited ($5 million) and on the Brage field in Norway ($4 million). The impairment charge net of tax amounted to $32 million.

For the years ended December 31, 2011 and 2012, we recognized impairment charges of $51.0 million and $31.3 million, respectively, with respect to our M'Boundi field in Congo (Brazzaville) and Chinguetti field in Mauritania. In the year ended December 31, 2011, we recorded an impairment reversal of $17.4 million associated with the Chinguetti field in Mauritania.

Acquisitions and disposals

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

Our results also may be positively affected by successful acquisitions, although the extent of the impact largely depends on the mix of assets of the acquired company. For example, our acquisition of Spring Energy Norway AS resulted in limited additional production volume and revenues for the year ended December 31, 2013. However, we believe that most of the value in this transaction is associated with Spring's exploration assets, which do not impact our results until we determine that the exploration or appraisal activities have been unsuccessful or until we begin to produce oil or gas from such properties. Additionally, in connection with our acquisition of Spring Energy, we are required under the sale and purchase agreement to pay the previous owners a contingent consideration based, in part, on the recoverable resources. See "Our Business—Key operated development assets—Core exploration and appraisal campaign—Norway."

Acquisitions also affect our liquidity and cash position in the relevant period to the extent the purchase price is paid in cash.

Interest rates

Our exposure to the risk of changes in market interest rates relates primarily to our bank borrowings, all of which currently have floating interest rates. We expect to partially repay (without cancelling) our RBL Facilities with the proceeds of this offering and therefore expect to have reduced interest rate exposure in future periods. We have historically managed interest rate risk using interest rate swaps. We may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness. See "Risk factors—Risks relating to the Notes and our structure—Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow."

Exchange rates

Our presentational currency is the U.S. dollar, primarily because we price our oil sales in U.S. dollars. However, because a significant amount of our staffing and other administrative costs are denominated in pounds sterling, our results are affected by changes in the U.S. dollar/pounds sterling exchange rate. In addition, we are affected by movements in exchange rates between the U.S. dollar and the local currencies in which we have operations, notably South Africa, Ghana, Uganda and Kenya and with the euro in both Dublin and the Netherlands.

Taxation

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

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

For example, in 2011 the Uganda Revenue Authority (URA) issued us with an assessment for $473 million in respect of capital gains tax on our farm-down of two-thirds of our interests in our Ugandan licenses. Shortly after completion of the farmdown, we paid $142 million to the URA, being 30% of the tax assessed that was legally required to be paid in order for us to dispute the assessment. The dispute was heard before the Ugandan Tax Appeals Tribunal (TAT) in 2012 and 2013 and a decision is expected in May 2014. If we are unsuccessful, we expect to make an appeal to the Ugandan High Court. International Arbitration proceedings have also commenced in relation to contractual aspects of the dispute. We intend to pursue all available legal options and appeals until a final determination is made.

It is possible that the TAT may not find in our favor such that we would be required to make a tax payment of $399 million (the amount which we believe is the most likely result of the Tribunal process in the event that it does not find in our favor) in the first half of 2014. However, based on external legal advice, we believe that it is probable that the International Arbitration will result in an award in our favor. The TAT and International Arbitration proceedings have been viewed in aggregate as a single unit of account in line with our accounting policy. As we believe the most probable outcome from the full legal process is that no liability other than $142 million paid to the URA in 2012 will arise, the $399 million has not been recorded as a liability in our consolidated financial statements as of and for the year ended December 31, 2013. If a payment is required in respect of the proceedings before the TAT, a receivable relating to the probable reimbursement arising as a result of the International Arbitration proceedings will be recorded. See “Our business—Legal and arbitration proceedings.” The possible risk of us being unsuccessful at both the TAT and International Arbitration has been disclosed as a contingent liability in our consolidated financial statements as of and for the year ended December 31, 2013.

Explanation of income statement items

Sales revenue

Sales revenue represents the sales value, net of value added tax (“**VAT**”) and government entitlements, of our share of oil and gas liftings for the year together with tariff income, which is revenue from third- parties for using our infrastructure. We recognize sales revenue when oil and gas volumes are lifted—i.e., goods are delivered and title has passed. Sales revenues received under take-or-pay sales contracts with respect to undelivered volumes are accounted for as deferred income.

Cost of sales

Our cost of sales consists primarily of operating expenses that are either variable or fixed. Cost of sales also includes the cash settled royalties paid in respect of our production (these differ from any royalties that are deemed to be settled in barrels of oil out of our working interest production to form our entitlement to production), which, together with operating expenses, constitutes our “underlying operating costs.” In addition, cost of sales includes impairments to tangible oil and gas assets and depreciation, depletion and amortization of tangible oil and gas assets. Depreciation, depletion and amortization of tangible oil and gas assets represent the release of the balance sheet value of an asset to the income statement over the life of the asset. For oil and gas assets, this release is calculated on a unit of production basis divided by aggregate entitlement reserves.

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

Administrative expenses

Our administrative expenses consist primarily of expenses related to staff in our primary operating offices in Accra, Ghana; Dublin, Ireland and Cape Town, South Africa, as well as our corporate office in London, England, that are not expensed as a cost of sales or capitalized as an intangible or tangible asset.

Office asset depreciation and impairment charges, operating lease costs associated with corporate offices, share based payments and other corporate costs are also included in administrative expenses, such as the costs directly attributable to the management of an acquisition. Any salary and corporate costs not recharged to an operational project are classified as administrative expenses.

Profit on disposal

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

Exploration costs written off

Exploration costs written off are those costs directly associated with unsuccessful exploration or appraisal wells and include new venture costs, which are costs incurred prior to the award of a license that must be expensed to the income statement in accordance with IFRS. In addition, when a license is relinquished, all of the costs associated with that license, including seismic surveys and any well costs, are expensed as exploration costs written off in the period the license is relinquished.

Exploration costs written off are ongoing operational charges and the magnitude of such costs in any one year depends on the success of exploration projects and the total amount spent on exploration.

Gain/(loss) on hedging instruments

We use derivative financial instruments to manage our exposure to fluctuations in currency exchange rates, interest rates and movements in oil and gas prices. Derivative financial instruments are stated at fair value on our balance sheet.

The purpose for which a derivative is used is established when the derivative is initially put in place. To qualify for hedge accounting, the derivative must be "highly effective" in achieving its objective and such 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 by us to have been "highly effective" throughout the financial reporting periods for which the hedge was designated.

The two types of hedges that fit within hedge accounting are categorized according to the objectives they are aimed to achieve: fair value hedges hedge the exposure to changes in the fair value of a recognized asset or liability, and cash flow hedges hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or forecasted transaction.

In relation to fair value hedges that meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognized 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 recognized 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 charged to other comprehensive income and the ineffective portion, as well as any change in time value, is recognized in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to non-U.S. dollar currency loans which are hedges of our net investment in the net assets of an operation that has functional currency other than U.S. dollars.

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.

Finance revenue

Finance revenue consists of interest received from Heritage Oil and Gas Limited in connection with a tax indemnity judgment against Heritage, interest earned on our deposits, currency exchange gains and the unwinding of the discounted contingent consideration receivable we recorded during 2012 relating to our farm-down of interests in licenses in Uganda. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals, particularly the final investment decision for the export pipeline, prior to June 30, 2014. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable over the period July 1, 2014 to December 31, 2016. The settlement date of such approvals is the subject of ongoing discussions with the government of Uganda and our commercial partners regarding the development programme for Uganda. The actual cash receivable due has been discounted to reflect the credit risk of the counterparty until we expect to receive such consideration. The unwinding of the discount until the expected point of receipt of proceeds is recorded as finance revenue.

Finance costs

Finance costs include interest and arrangement fees due on our debt facilities and the 2020 Senior Notes, as well as issue costs that are deducted from the debt proceeds on initial recognition of the liability which are amortized and charged to the income statement as finance costs over the term of the debt (the effective interest rate method). The finance costs charged in the income statement are recognized net of capitalized borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to prepare for their intended use or sale) that are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Finance costs also include the unwinding of any discount for decommissioning provisions, currency exchange losses and interest on finance leases. When we act as operator of a field, we record finance leases on a gross basis (i.e., 100% of the present value of future lease payments) and separately recognize a receivable which represents our commercial partners' share of the lease liability. Currently, our only FPSO finance lease relates to the FPSO for the Espoir field in Cote d'Ivoire. Although we lease other FPSOs, such as the Chinguetti FPSO in Mauritania, these are treated as operating leases and the associated costs are recognized in cost of sales.

Income tax expense

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

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

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

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

Results of operations

The following table sets out certain of our historical revenue and expense items for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in millions of $, unless stated)	**2011**	**2012**	**2013**
Sales revenue	2,304.2	2,344.1	2,646.9
Cost of sales	(930.8)	(999.3)	(1,206.5)
Gross profit	1,373.4	1,344.8	1,440.4
Administrative expenses	(122.8)	(191.2)	(218.5)
Profit on disposal	2.0	702.5	29.5

Exploration costs written off	(120.6)	(670.9)	(870.6)
Operating profit	1,132.0	1,185.2	380.8
Gain/(loss) on hedging instruments	27.2	(19.9)	(19.7)
Finance revenue	36.6	9.6	43.7
Finance costs	(122.9)	(59.0)	(91.6)
Profit from continuing activities before tax	1,072.9	1,115.9	313.2
Income tax expense	(383.9)	(449.7)	(97.1)
Profit for the period from continuing activities	689.0	666.2	216.1
Dividends paid	114.2	173.2	167.4
Dividend per share (pence)	8.0	12.0	12.0

Comparison of results of operations for the year ended December 31, 2012 and 2013

Sales revenue

Sales revenue increased by $302.8 million, or 12.9%, to $2,646.9 million for the year ended December 31, 2013 compared to $2,344.1 million for the year ended December 31, 2012, driven primarily by a 9.4% increase in average daily sales volumes to 74,400 boepd for the year ended December 31, 2013 compared to 68,000 boepd for the year ended December 31, 2012, which was partially offset by a 2% reduction in realized oil prices after hedging.

The increase in average daily sales volumes was primarily attributable to increased production at the Jubilee field, where average daily sales volumes increased by 33% to 32,000 boepd for the year ended December 31, 2013 compared to 24,000 boepd for the year ended December 31, 2012 as a result of a successful remediation program. This increase was partially offset by an 11% reduction in total gas sales volumes, which was primarily attributable to declining production in our mature U.K. and Dutch Southern North Sea and Bangladesh assets, the latter of which we sold in December 2013.

Our oil sales are based on various benchmark prices, with adjustments for quality, transportation fees and a regional price differential, as a proxy for market prices. The average realized price per boe from oil sales was $105.7 for the year ended December 31, 2013 compared to $108.0 for the year ended December 31, 2012. These lower prices were caused in part by lower average Brent crude oil prices during the year ended December 31, 2013 compared to the previous period.

The negative oil price variance was partially offset by an increase in average realized gas prices of 12.1% for the year ended December 31, 2013 compared to average realized gas prices for the year ended December 31, 2012. The average price per therm achieved from gas sales was 65.6 pence for the year ended December 31, 2013 compared to 58.5 pence for the year ended December 31, 2012. These higher prices were primarily caused by higher market prices during the year ended December 31, 2013 compared to the year ended December 31, 2012.

Cost of sales

Cost of sales increased by $207.2 million, or 20.7%, to $1,206.5 million for the year ended December 31, 2013 compared to $999.3 million for the year ended December 31, 2012. Underlying cash operating costs, which exclude depletion and amortization and movements in underlift/overlift, increased to $524 million ($16.5 per boe) for the year ended December 31, 2013 compared to $437 million ($14.6 per boe) for the year ended December 31, 2012. The higher underlying operating cost rate per boe accounted for $60.5 million of this increase and was principally due to a higher proportion of fixed operating costs on mature fields with declining production and costs associated with the remediation program at the Jubilee field. The remaining $26.5 million increase resulted from an increase in variable operating costs due to higher production.

Movements in underlift/overlift resulted in a $49.7 million charge to the income statement for the year ended December 31, 2013 compared to a $19.1 million credit to the income statement for the year ended December 31, 2012.

Depreciation, depletion and amortization charges before impairment increased to $565.1 million ($17.8 per boe) for the year ended December 31, 2013 compared to $536.7 million ($17.9 per boe) for the year ended December 31, 2012. The increase was as a result of increased production from the Jubilee field.

We recognized an impairment charge of $52.7 million ($1.7 per boe) for the year ended December 31, 2013 compared to $31.3 million ($1.0 per boe) for the year ended December 31, 2012. The impairment charge for the year ended December 31, 2013 was in respect of an increase in anticipated future decommissioning costs on the Thames field ($44.0 million), the difference between the disposal proceeds and net book value of Tullow Bangladesh Limited ($4.7 million) and on the Brage field in Norway ($4.0 million). The impairment charge net of tax amounted to $32.0 million.

Cost of sales amounted to 45.6% and 42.6% as a percentage of sales revenue during the years ended December 31, 2013 and 2012, respectively.

Administrative expenses

Administrative expenses increased by $27.3 million, or 14.3%, to $218.5 million for the year ended December 31, 2013 compared to $191.2 million for the year ended December 31, 2012, primarily due to an increase in salary and corporate costs due to an increase in our total workforce. This was partially offset by an increase in salary and corporate costs recharged to operational projects and capitalized (depending on the nature of the project, such costs are expensed as an operating cost or capitalized as an intangible or tangible asset). Any salary and corporate costs not recharged to an operational project are classified as administrative expenses.

Administrative expenses amounted to 8.3% and 8.2% of sales revenue in the years ended December 31, 2013 and 2012, respectively.

Profit on disposal

Profit on disposal decreased by $673.0 million to $29.5 million for the year ended December 31, 2013 compared to $702.5 million for the year ended December 31, 2012, primarily due to the $701.0 million gain recorded in the year ended December 31, 2012 with respect to the farm-down of our interests in Ugandan licenses.

In 2012, we provided for $30.0 million in respect of the $313 million recoverable security we paid to the Uganda Revenue Authority as agent to the transaction between Tullow and Heritage Oil and Gas Limited. This balance was initially capitalized as a cost of the interests in Ugandan licenses which were subsequently disposed of. As a result, on receipt of the receivable, we recorded $30.0 million as a profit on disposal in our income statement. The $30.0 million previously provided for was treated as an investing activity in our cash flow statement while the remaining $283.0 million was accounted for as a decrease in receivables.

During the year ended December 31, 2013, we completed the disposal of Tullow Bangladesh Limited for $41.4 million. The write down of the book value to the disposal proceeds was treated as an impairment loss as opposed to a loss on disposal in line with accounting for assets held for sale.

In the same year, we completed further disposals of oil and gas assets and non-oil and gas assets generating a loss on disposal of $0.5 million.

Exploration costs written off

Exploration costs written off increased by $199.7 million, or 29.8%, to $870.6 million for the year ended December 31, 2013 compared to $670.9 million for the year ended December 31, 2012. Net exploration costs written off after tax increased by $95.3 million, or 15.8%, to $696.7 million for the year ended December 31, 2013 compared to $601.4 million for the year ended December 31, 2012 due to an increase in the associated deferred tax credit. During 2013, we spent $1.1 billion, including Norway exploration costs on a post-tax basis, on exploration and appraisal activities, and wrote off $417.2 million in relation to this expenditure. This included write-offs in French Guiana ($100.5 million), Norway ($28.0 million), Gabon ($27.6 million), Ethiopia ($45.3 million) and Mozambique ($77.0 million) and new venture costs were $75.0 million. In addition, we have written off $279.5 million in relation to prior years' expenditure and fair value adjustments as a result of license relinquishments and changes to future work programs. This included write-offs in Kenya ($79.0 million) due to the relinquishment of Block 10A, Uganda ($66.9 million) in respect of the offshore block containing the Ngassa discoveries and United Kingdom ($29.9 million) due to the relinquishment of the Cameron discovery.

The $670.9 million in exploration costs written off for the year ended December 31, 2012 were related to (i) unsuccessful exploration activities in Guyana, Ghana, Sierra Leone, Côte d'Ivoire, Suriname, Tanzania and Uganda (collectively, $230.5 million) and (ii) new venture activity ($66.8 million). In addition, there were further exploration costs written off in respect of the Odum discovery in Ghana, where acreage has been relinquished ($37.0 million); carried costs for Kudu in Namibia where progress toward commercialization had been delayed ($159.7 million); undeveloped discoveries in Mauritania ($93.5 million) and exploration costs in Sierra Leone where a hub-class commercial discovery (i.e., the point at which the oil and gas fields that have been discovered, when aggregated, will reach a commercial development threshold) had not been made ($50.1 million).

Losses on hedging instruments

Losses on hedging instruments decreased by $0.2 million, or 1.0%, to $19.7 million for the year ended December 31, 2013 compared to $19.9 million for the year ended December 31, 2012, primarily due to changes in the time value of our commodity derivative instruments. As of December 31, 2013, our expectation for future oil prices was higher than at the same time in 2012. This change in expectations had the impact of reducing the value of our commodity derivative instruments (i.e., increasing the liability), the time value element of which was allocated to the income statement.

Finance revenue

Finance revenue increased by $34.1 million to $43.7 million for the year ended December 31, 2013 compared to $9.6 million for the year ended December 31, 2012, primarily due to $32.8 million of interest received from Heritage Oil and Gas Limited in connection with a tax indemnity judgment against Heritage. On September 20, 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014. If Heritage was successful on appeal, this amount would reverse on repayment. See "Our Business—Legal and arbitration proceedings—Litigation to recover payment made to the Uganda Revenue Authority in respect of acquisition of Ugandan assets."

Finance costs

Finance costs increased by $32.6 million, or 55.3%, to $91.6 million for the year ended December 31, 2013 compared to $59.0 million for the year ended December 31, 2012, primarily due to an increase in interest cost on our debt instruments as a result of larger average balances outstanding during the year ended December 31, 2013. In 2013, we diversified our sources of funding with the issuance of the 2020 Senior Notes and the inclusion of our Norwegian Facility, which we assumed in connection with our acquisition of Spring Energy in January 2013. In addition, during the second half of 2012, our RBL Facilities were refinanced and the associated costs of that refinancing were included in their carrying value, which in turn increased our effective interest rate in the year ended December 31, 2013. This was partially offset by higher interest costs capitalized during the year ended December 31, 2013 as a result of the TEN Project becoming a qualifying asset on January 1, 2013 as a result of the recognition of commercial reserves. Our 2013 currency exchange costs primarily relate to our exposure to the Norwegian Krone for the first time in 2013, which significantly strengthened against the U.S. dollar.

The following table provides additional details on our finance costs for the year ended December 31, 2012 and 2013:

	Year ended December 31,		
(in millions of $)	**2012**	**2013**	**% Change**
Interest and accrued interest on external facilities	94.8	149.2	*57.4%*
Capitalized interest	(67.2)	(105.9)	*57.6%*
Other finance fees	9.3	7.0	*(24.7%)*
Interest on finance leases	1.8	2.3	*27.8%*
Unwind of decommissioning discount	20.3	17.5	*(13.8%)*
Currency exchange	—	21.5	—
Finance costs	59.0	91.6	*55.3%*

Income tax expense

Income tax expense decreased by $352.6 million, or 78.4%, to $97.1 million for the year ended December 31, 2013 compared to $449.7 million for the year ended December 31, 2012, reflecting lower profit before tax, the $142.0 million capital gains tax charge recorded in 2012 on the farm-down of our interests in Ugandan licenses and the benefit of Norwegian deferred tax credits in relation to exploration expenditures. The underlying effective tax rate, after adjusting for exploration write offs and the related deferred tax benefit, decreased to 32% for the year ended December 31, 2013 compared to 41% for the year ended December 31, 2012.

Comparison of results of operations for the years ended December 31, 2011 and 2012

Sales revenue

Sales revenue increased by $39.9 million, or 1.7%, to $2,344.1 million for the year ended December 31, 2012 compared to $2,304.2 million for the year ended December 31, 2011, driven primarily by a 2% increase in average daily sales volumes from 66,800 boepd for the year ended December 31, 2011 to 68,000 boepd for the year ended December 31, 2012.

The 2% increase in average daily oil sales volumes for the year ended December 31, 2012 compared to the year ended December 31, 2011, was primarily attributable to average daily sales volumes from the Jubilee field in Ghana increasing to 24,000 boepd for the year ended December 31, 2012 compared to 23,000 boepd for the year ended December 31, 2011 and was partially offset by declining volumes in mature fields. Gas sales volumes increased 4% for the year ended December 31, 2012 compared to the year ended December 31, 2011. This was primarily due to the inclusion of a full year of production from assets in the Netherlands that we acquired in our purchase of Nuon on June 30, 2011.

The average realized price per barrel from oil sales was $108.0 for the years ended December 31, 2012 and 2011. The average price achieved was the same in both years primarily due to consistent average Brent crude oil prices for the year ended December 31, 2012 and the year ended December 31, 2011 and in part due to our average barrel selling at a 3% discount to Brent crude oil during the year ended December 31, 2012 compared to a 1% premium during the year ended December 31, 2011.

Average realized gas prices increased by 3% for the year ended December 31, 2012 compared to average realized gas prices for the year ended December 31, 2011. The average price per therm achieved from gas sales was 58.5 pence for the year ended December 31, 2012 compared to 57.0 pence for the year ended December 31, 2011. These higher prices were achieved due to higher market prices during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Cost of sales

Cost of sales increased by $68.5 million, or 7.4%, to $999.3 million for the year ended December 31, 2012 compared to $930.8 million for the year ended December 31, 2011. Underlying operating costs, which exclude depletion and amortization and movements in underlift/overlift, increased by $51.8 million, or 8%, to $437.4 million ($14.6 per boe) for the year ended December 31, 2012 compared to $385.6 million ($13.5 per boe) for the year ended December 31, 2011. The higher underlying operating cost rate per boe accounted for $32.4 million of this increase and was principally due to a higher proportion of fixed operating costs at mature fields with declining production. The remaining $19.4 million increase resulted from an increase in variable operating costs due to higher production volumes, primarily from the Jubilee field.

Depreciation, depletion and amortization charges increased by $23.2 million to $536.7 million for the year ended December 31, 2012 ($17.9 per boe) compared to $513.5 million for the year ended December 31, 2011 ($18.0 per boe). This increase was primarily a result of increased production from the Jubilee field.

This increase was partially offset by a reduction in the movements of underlift and stock and a decrease in impairment charges in respect of the M'Boundi field in the Congo (Brazzaville). We recorded $51.0 million in impairment charges for this field for the year ended December 31, 2011 and an additional $31.3 million for the same field for the year ended December 31, 2012, in each case due to higher anticipated future costs.

Cost of sales amounted to 42.6% and 40.4% as a percentage of sales revenue for the years ended December 31, 2012 and 2011, respectively.

Administrative expenses

Administrative expenses increased by $68.4 million, or 55.7%, to $191.2 million for the year ended December 31, 2012 compared to $122.8 million for the year ended December 31, 2011, primarily due to a $6.9 million increase in certain share-based payments related to an increase in the value of stock options issued during the period, a 17% increase in our workforce and a decrease in salary and corporate costs being capitalized and recharged to operational projects. Any salary and corporate costs not recharged to an operational project are classified as administrative expenses.

Administrative expenses amounted to 8.2% and 5.3% of sales revenue in each of the years ended December 31, 2012 and 2011, respectively.

Profit on disposal

Profit on disposal increased by $700.5 million to $702.5 million for the year ended December 31, 2012 compared to $2.0 million for the year ended December 31, 2011, primarily due to the $701.0 million gain recorded in 2012 with respect to the farm-down of our interests in Ugandan licenses.

Exploration costs written off

Exploration costs written off increased by $550.3 million to $670.9 million for the year ended December 31, 2012 compared to $120.6 million for the year ended December 31, 2011. The $670.9 million in exploration costs written off for the year ended December 31, 2012 were related to (i) unsuccessful exploration activities in Guyana, Ghana, Sierra Leone, Côte d'Ivoire, Suriname, Tanzania and Uganda (collectively, $230.5 million) and (ii) new venture activity ($66.8 million). In addition, there were further exploration costs written off in respect of the Odum discovery in Ghana, where acreage has been relinquished ($37.0 million); carried costs for Kudu in Namibia where progress toward commercialization had been delayed ($159.7 million); undeveloped discoveries in Mauritania ($93.5 million) and exploration costs in Sierra Leone where a hub-class commercial discovery (i.e., the point at which the oil and gas fields that have been discovered, when aggregated, will reach a commercial development threshold) had not been made ($50.1 million).

The $120.6 million in exploration costs written off for the year ended December 31, 2011 principally related to (i) unsuccessful exploration activities in Ghana ($27.4 million), Liberia ($23.8 million), Gabon ($21.8 million) and the United Kingdom ($24.2 million) and (ii) new venture activity ($11.3 million).

Gain/(loss) on hedging instruments

Gain/(loss) on hedging instruments decreased by $47.1 million to a loss of $19.9 million for the year ended December 31, 2012 compared to a gain of $27.2 million for the year ended December 31, 2011, primarily due to changes in the time value of our commodity derivative instruments. During the year ended December 31, 2012, the fair value of our commodity derivative instruments decreased compared to the year ended December 31, 2011, primarily due to increases in the future expected oil prices for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Finance revenue

Finance revenue decreased by $27.0 million, or 73.8%, to $9.6 million for the year ended December 31, 2012 compared to $36.6 million for the year ended December 31, 2011, primarily due to a $22.3 million gain recognized in 2011 relating to our acquisition of the Jubilee FPSO. The Jubilee FPSO lease was treated as a finance lease under IFRS and, as a result, our acquisition of the FPSO was treated as a financing activity through the extinguishment of a finance lease and the difference between the consideration paid and the value of the lease liability resulted in finance revenue.

Finance costs

Finance costs decreased by $63.9 million, or 52.0%, to $59.0 million for the year ended December 31, 2012 compared to $122.9 million for the year ended December 31, 2011, primarily due to the purchase of the Jubilee FPSO in 2011 and the consequent cancellation of the finance lease. The only finance lease that remained in 2012 was the FPSO finance lease for the Espoir field in Cote d'Ivoire. This decrease was further driven by a reduction in other finance fees, which primarily consisted of arrangement fees related to our RBL Facilities associated with a lower average level of borrowings in the year ended December 31, 2012. The decrease in interest and accrued interest on our RBL Facilities was more than offset by the associated reduction in the amount of interest we could capitalize.

The following table provides additional details on our finance costs for the years ended December 31, 2011 and 2012.

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**% Change**
Interest and accrued interest on external facilities	144.0	94.8	*(34%)*
Capitalized interest	(128.8)	(67.2)	*(48%)*
Other finance fees	35.5	9.3	*(74%)*
Interest on finance leases	44.3	1.8	*(96%)*
Unwind of decommissioning discount	20.9	20.3	*(3%)*
Currency exchange	7.0	—	—
Finance costs	122.9	59.0	*(52%)*

Income tax expense

Income tax expense increased by $65.8 million, or 17.1%, to $449.7 million for the year ended December 31, 2012 compared to $383.9 million for the year ended December 31, 2011, primarily due to increases in production from our interests in North Sea, Gabon, Equatorial Guinea and Ghanaian assets and resulting associated taxes and a Ugandan capital gains tax charge of $142.0 million. After adjusting for exploration write-offs, the related deferred tax benefit in relation to the exploration write-offs and profit on disposal, our underlying effective tax rate was 41% for the year ended December 31, 2012 compared to 32% for the year ended December 31, 2011. The increase in underlying effective tax rate was primarily a result of lower production sharing contract income and higher administrative costs and a derivative charge to the income statement.

Liquidity

Our liquidity requirements arise principally from our capital investment and working capital requirements. For the periods presented, we met our working capital requirements primarily from oil and gas revenues from our producing assets such as the Jubilee field in Ghana, the Ceiba field and Okume Complex in Equatorial Guinea and the Tchatamba fields in Gabon, the farm-down in 2012 of our interests in Ugandan licenses, the proceeds of our equity offerings from our Ghana share listing in 2011 and debt financing through ongoing drawings on the RBL Facilities and the issuance of the 2020 Senior Notes.

We held cash and cash equivalents of $307.1 million, $330.2 million and $352.9 million as of December 31, 2011, 2012 and 2013, respectively. These amounts include cash held in bank accounts related to business ventures with our commercial partners of $221.3 million, $223.8 million and $201.0 million as of December 31, 2011, 2012 and 2013, respectively. Although these balances are short-term and highly liquid, they are restricted for use within the business ventures to which they relate and cannot be used for our general funding requirements.

Cash flow

The following table sets forth consolidated cash flow information for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Profit before taxation	1,072.9	1,115.9	313.2
Adjustments for:			
Depreciation, depletion and amortization	533.8	561.9	591.9
Impairment loss	51.0	31.3	52.7
Impairment reversal	(17.4)	—	—
Exploration costs written off	120.6	670.9	870.6
Profit on disposal	(2.0)	(702.5)	(29.5)
Decommissioning expenditure	(14.2)	(2.4)	(6.7)
Share based payment charge	28.5	32.6	41.3
Gain/(loss) on hedging instruments	(27.2)	19.9	19.7
Finance revenue	(36.6)	(9.6)	(43.7)
Finance costs	122.9	59.0	91.6
Operating cash flows before working capital movements	**1,832.3**	**1,777.0**	**1,901.1**
(Increase)/decrease in trade and other receivables	(91.9)	(11.3)	75.8
(Increase)/decrease in inventories	(43.8)	11.3	(28.9)
Increase in trade payables	206.5	7.5	49.6
Cash generated from operations	**1,903.1**	**1,784.5**	**1,997.6**
Income taxes paid	(171.8)	(264.1)	(252.3)
Net cash from operations	**1,731.3**	**1,520.4**	**1,745.3**
Disposal of subsidiaries	—	—	41.4
Disposal of exploration and evaluation assets	—	2,568.2	38.2
Disposal of oil and gas assets	—	0.3	0.7
Disposal of other assets	2.4	1.3	—
Purchase of subsidiaries	(404.0)	—	(392.8)
Purchase of intangible exploration and evaluation assets	(1,018.4)	(1,196.6)	(1,268.5)
Purchases of property, plant and equipment:	(635.1)	(652.8)	(740.8)
Finance revenue	13.6	1.3	34.3
Net cash (used)/generated in investing activities	**(2,041.5)**	**721.7**	**(2,287.5)**
Net proceeds from issue of share capital	86.7	24.5	6.0
Debt arrangement fees	(30.0)	(77.2)	(13.5)
Repayment of bank loans	(320.0)	(2,407.5)	(1,236.5)
Drawdown of bank loan	1,200.0	565.0	1,447.7
Issue of senior loan note	—	—	650.0
Repayment of obligations under finance leases	(308.4)	(1.8)	(3.3)
Finance costs	(210.2)	(103.2)	(103.5)
Dividends paid	(114.2)	(173.2)	(167.4)
Distribution to minority shareholders	(25.0)	(25.1)	(16.0)
Net cash generated/(used) by financing activities	**278.9**	**(2,198.5)**	**563.5**
Net (decrease)/increase in cash and cash equivalents	**(31.3)**	**43.6**	**21.3**
Cash and cash equivalents at beginning of period	338.3	307.1	330.2
Cash transferred to be held for sale	—	(18.0)	0.6
Effect of currency exchange rates	0.1	(2.5)	0.8
Cash and cash equivalents at end of period	**307.1**	**330.2**	**352.9**

Net cash from operating activities

Net cash generated from operating activities was $1,745.3 million for the year ended December 31, 2013 compared to $1,520.4 million generated for the year ended December 31, 2012. The increase in operating cash flows was primarily due to higher sales volumes in 2013 associated with the Jubilee field. This was partially offset by a decline in sales volumes in mature fields.

Furthermore, in the year ended December 31, 2012, we made a $142.0 million Ugandan capital gains tax payment as a result of the farm-down of our interests in Ugandan licenses this was partially offset by the first Ghana corporate tax payment and the 2012 and 2013 Equatorial Guinea corporate tax payments made during the year ended December 31, 2013.

Net cash generated from operating activities was $1,520.4 million for the year ended December 31, 2012 compared to $1,731.3 million generated for the year ended December 31, 2011. The decrease in operating cash flows was primarily due to the $142.0 million Ugandan capital gains tax payment made in the year ended December 31, 2012 as a result of the farm-down of our interests in Ugandan licenses, a decrease in trade and other payables and an increase in underlying operating costs. This was partially offset by increased revenues associated with higher sales volumes from the Jubilee field.

Net cash used/generated in investing activities

Net cash used in investing activities was $2,287.5 million for the year ended December 31, 2013, compared to $721.7 million of net cash generated in investing activities for the year ended December 31, 2012. In the year ended December 31, 2013, our acquisition of Spring Energy accounted for $392.8 million of our investment cash outflow, and capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $2,009.3 million of the investment cash outflow. In the year ended December 31, 2012, the proceeds from the farm-down of our interests in Ugandan licenses accounted for a $2,568.2 million inflow and capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $1,849.4 million of our investment cash outflow.

Net cash used in investing activities amounted to $2,041.5 million for the year ended December 31, 2011. Our acquisition of Nuon accounted for $404.0 million of the investment cash outflow and capital expenditure on property, plant and equipment and on intangible exploration and evaluation assets accounted for $1,653.5 million of the investment cash outflow. See "—Qualitative and quantitative disclosures about market risk—Credit risk management."

For a more detailed description of our recent capital expenditure, see "—Capital investment."

Net cash provided by financing activities

Net cash provided by financing activities was $563.5 million for the year ended December 31, 2013, compared to net cash used by financing activities of $2,198.5 million for the year ended December 31, 2012. The net cash provided by financing activities in the year ended December 31, 2013 mostly reflected net drawings on our debt facilities, partially offset by dividends paid of $167.4 million and finance costs. In the year ended December 31, 2012, financing activities reflected principally repayments on our debt facilities of $2,407.5 million, dividends paid of $173.2 million and finance costs after receipt of the proceeds from the farm-down of our interests in Ugandan licenses.

Net cash generated by financing activities amounted to $278.9 million in the year ended December 31, 2011. Financing activities represented the net debt facility drawdowns and proceeds from our Ghana share listing to fund capital expenditure, which were partially offset by dividends paid of $114.2 million and finance costs and the repayment of the Jubilee FPSO finance lease.

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

Capital investment

For the years ended December 31, 2011, 2012 and 2013, we spent $1,432.1 million, $1,869.5 million and $1,800.4 million, respectively, on capital investment to support our strategy of high-impact exploration and selected developments. Capital investment has historically comprised the costs of technical services and studies, seismic acquisition and interpretation, and exploratory, appraisal, development and productivity enhancement drilling, well testing and costs associated with construction of oil and gas facilities.

Our capital investment in the year ended December 31, 2013 principally related to (i) development activities ($680.9 million) associated with the TEN Project, continued drilling of the Phase 1A development wells in the Jubilee field, completion of an infill drilling program on the Ceiba field in Equatorial Guinea and other development projects; (ii) appraisal activities ($209.0 million) associated with finalizing appraisal activities on the TEN Project and appraisal drilling in Uganda and Kenya; and (iii) exploration activities ($910.5 million) associated with completion of the Cebus, Priodontes and Zaedyus prospects in French Guiana, drilling and well testing in Kenya, which included the drilling of the Etuko-1, Ekales-1 and Agete-1 wells, drilling of the Wisting Main oil well in Norway, the Sabisa prospect in Ethiopia, the Cachalote well in Mozambique and the commencement of drilling in Mauritania. More than 70% of our capital investment in the year ended December 31, 2013, or over $1,300 million, was invested in Africa and more than 40% was invested in Ghana, Kenya and Uganda.

Our capital investment in the year ended December 31, 2012 principally related to (i) development activities ($776.0 million) associated with the drilling of Phase 1A development wells in the Jubilee field, an infill drilling program on the Ceiba field in Equatorial Guinea and other development projects; (ii) appraisal activities ($338.0 million) associated with the appraisal of the TEN Project and appraisal drilling in Uganda and French Guiana; and (iii) exploration activities ($756.0 million) associated with seismic, FTG surveys, exploration drilling and well testing in Kenya, commencement of drilling of the Priodontes prospect in French Guiana, ongoing exploration activities in Uganda, exploration drilling in Suriname and Guiana and other exploration projects. More than 50% of our capital investment of $1,869.5 million in the year ended December 31, 2012 was invested in Ghana and Uganda and more than $1,500.0 million was invested in Africa.

Our capital investment in 2011 principally related to (i) development activities ($396.0 million) associated with the drilling of Phase 1A development wells in the Jubilee field and other development projects; (ii) appraisal activities ($591.1 million) associated with appraisal costs on the TEN Project and appraisal drilling in Uganda; and (iii) exploration activities ($445.0 million) were associated with ongoing exploration drilling in Uganda and Gabon, drilling of the Zaedyus prospect in French Guiana and other exploration projects. More than 50% of our capital investment of $1,432.1 million in the year ended December 31, 2011 was invested in Ghana and Uganda and approximately $1,200.0 million was invested in Africa.

The following table sets forth a reconciliation of our capital expenditure to capital investment for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Capital expenditure	1,953.9	2,135.0	2,573.1
Capitalized IFRS 2—share based payment charge(1)	(12.7)	(15.5)	(23.3)
Norwegian tax refund(2)	—	—	(219.7)
Capitalized finance costs(3)	(128.8)	(67.2)	(105.9)
Abandonment asset additions(4)	(81.5)	(60.2)	(274.0)
Leased asset additions(5)	—	(33.4)	—
Administrative asset additions(6)	(35.3)	(34.2)	(67.0)
Other(7)	(263.5)	(55.0)	(82.8)
Capital investment	1,432.1	1,869.5	1,800.4

(1) Capitalized IFRS 2—share based payment charge relates to the portion of the non-cash share based payment charge that relates to employees who work on capital projects.

(2) Capital expenditure is adjusted for the Norwegian tax refund. The Norwegian tax refund for the year ended December 31, 2013 represents 78% of our qualifying exploration expenditure in Norway during the year ended December 31, 2013. The refund is paid in the following year of which the expense is incurred.

(3) Capitalized finance costs relates to the portion of our borrowing costs that are deemed to fund development activities.

(4) Abandonment assets are recorded as an equal and opposite amount to our abandonment provisions. Abandonment assets depreciate over the life of an asset until the point of abandonment when we have a full provision. Any increases in a provision due to a change in scope of the obligation results in an increase in the abandonment asset. The asset is recorded under the property, plant and equipment line item in the balance sheet. Any new abandonment assets, or increases in abandonment assets, from the previous year are shown as additions to this line item.

(5) Leased assets represent the present value of future lease payments when a finance lease is entered into and are recorded as an equal and opposite amount to lease payables. Any new leased asset is shown as an addition in the year in which the finance lease giving rise to it was entered into, even if there has been no cash expenditure in that year.

(6) Administrative assets represent fixtures, fittings and office equipment such as computers. Because they are not directly attributable to the exploration or development of oil and gas, we exclude their costs from our capital investment. Any new administrative assets from the previous year are shown as additions to this line item.

(7) Other includes non-business combinations (the $305 million acquisition of an approximately 4% interest in certain Ghana licenses in 2011) and the presentation of interests in fields held by Tulipe Oil SA at a 50% working interest as opposed to the 100% we consolidate for financial reporting purposes.

Future capital investment

Our capital investments are driven largely by our exploration and appraisal activities and development of new oil and gas projects through to production. We expect our capital investment for the year ending December 31, 2014 to be approximately $2.2 billion, including approximately $1.1 billion associated with our development activities, which primarily relates to Ghana ($790.0 million) for the Phase 1A development of the Jubilee field and the TEN Project, exploration and appraisal drilling and basin-wide pre-development studies in Kenya ($310.0 million), exploration drilling campaign in Mauritania ($220.0 million) appraisal drilling and development progress towards a final investment decision in Uganda ($200.0 million), and maintaining mature production and high impact exploration in Africa.

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

Contractual obligations and contingent liabilities

The following table details our remaining contractual maturity for our non- derivative financial liabilities with agreed repayment periods as of December 31, 2013. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay.

		Payments due by period		
Contractual Obligations (in millions of $)	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-interest bearing[1]	344.6	344.6	—	—
Fixed interest rate instruments				
Principal repayments	650.0	—	—	650.0
Interest charge	273.0	39.0	156.0	78.0
Variable interest rate instruments				
Principal repayments	1,611.4	159.4	536.9	915.1
Interest charge	413.4	60.8	304.1	48.5
Finance lease liabilities[2]	45.5	3.3	13.7	28.5
Operating lease liabilities[3]	123.8	21.4	38.2	64.2
Total	3,461.7	628.5	1,048.9	1,784.3

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

(2) Relates to the Espoir FPSO in Cote d'Ivoire. When we act as operator, finance leases are recorded on a gross basis (i.e., 100% of the present value of future lease payments) with a separate receivable recognized which represents our commercial partners' share of the lease liability.

(3) Reflects the minimum payments due under operating lease agreements in the period.

As is common within our industry, we have entered into various commitments related to the exploration and appraisal of, and production from, commercial oil and gas properties. As of December 31, 2011, 2012 and 2013, we had future capital commitments of $1,049.2 million, $580.3 million and $2,737.7 million, respectively. These amounts represent our obligations during the course of the following years to fulfil our contractual commitments. We believe that such commitments will be met without a material adverse effect on our financial position, results of operations or cash flows.

The increase in capital commitments from $580.3 million as of December 31, 2012 to $2,737.7 million as of December 31, 2013 is primarily due to the TEN project in Ghana, where we entered into the FPSO lease along with other key service and construction contracts in respect to field development. Where we act as operator of a joint venture, such as with respect to the TEN project, the capital commitments reported represent our net share.

The decrease in capital commitments from $1,049.2 million as of December 31, 2011 to $580.3 million as of December 31, 2012 is primarily due to the farm-down of certain of our interests in Ugandan licenses and subsequent consolidation of a lower working interest share of commitments and lower exploration and development commitments in Ghana.

We had certain contingent liabilities in relation to performance guarantees for abandonment obligations, committed work programs and certain financial obligations of $147.0 million, $154.9 million, and $934.8 million as of December 31, 2011, 2012 and 2013, respectively. We believe that if such liabilities arose they will be met without a material adverse effect on our financial position, results of operations or cash flows.

Our contingent liabilities were as follows as of December 31, 2011, 2012 and 2013:

	As of December 31,		
(in millions of $)	**2011**	**2012**	**2013**
Performance guarantees	147.0	154.9	183.5
Ugandan CGT	—	—	399.0
Recoverable security received from Heritage Oil and Gas Limited	—	—	345.8
Other contingent liabilities	—	—	6.5
Total	147.0	154.9	934.8

Based on advice from external counsel, we believe that there is a less than 50% chance that both the Ugandan Tax Appeals Tribunal and International Arbitration proceedings will not award in our favor. The current best estimate of the potential exposure is $399 million. For a description of the Ugandan Capital Gains Tax, see "—Critical accounting policies—Capital gains tax due on Uganda farm-down".

In 2013, we were successful in an action against Heritage Oil and Gas Ltd and received payment for $345.8 million in August 2013, which included receipt of the $313 million due and $32.8 million of interest, the latter of which was recorded as finance revenue. We had previously provided for $30.0 million in respect of the $313 million. On September 20, 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014. As a result, we reported the $345.8 million as a contingent liability reflecting the possibility the Court may not award in our favor.

For more information regarding the Ugandan capital gains tax contingent liability, see "Our business—Legal and arbitration proceedings—Litigation to recover payment made to the Uganda Revenue Authority in respect of acquisition of Ugandan assets".

Financing

As noted above, our liquidity requirements arise principally from our capital investment and working capital requirements. For the periods presented, we met our capital investment and working capital requirements primarily from oil and gas revenues and the proceeds of equity and debt financings and the farm- down of certain of our interests in Ugandan licenses. Historically, we have utilized a combination of short- and long-term financial instruments to supplement cash flow from operations to finance our cash needs and the growth of our business. We believe that, following the issuance of the Notes, our operating cash flows and borrowing capacity under the RBL Facilities, Corporate Facility, Norwegian Facility and the proceeds of the Notes and 2020 Senior Notes will be sufficient to meet our requirements and commitments for at least the next twelve months. However, we are leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. See "Risk factors—Risks relating to the Notes and our structure—Our leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes and the Note Guarantees."

Equity financing

In the year ended December 31, 2013, we issued 2.2 million ordinary shares of 10 pence each in respect of employee share options, compared to 2.6 million in the year ended December 31, 2012. As of December 31, 2013, we had 910.0 million allotted and fully paid ordinary shares of 10 pence each, compared to 907.8 million as of December 31, 2012.

In July 2011, we allotted 3,531,546 ordinary shares of 10 pence each in connection with our secondary listing on the Ghana Stock Exchange. This raised 109,477,926 Ghana Cedis ($72.3 million), which equated to $71.3 million net of expenses.

Debt financing

Total debt as of December 31, 2013 amounted to $2,261.4 million. In 2013, we completed our offering of the 2020 Senior Notes. The net proceeds were used to repay existing indebtedness under our RBL Facilities. As of December 31, 2013, our drawings under the RBL Facilities aggregated $1,452.0 million (with $3,500 million in commitments), drawings on the Corporate Facility were nil (with $500.0 million in commitments) and drawings under our Norwegian Facility were $159.4 million. We expect that our commitments under the RBL Facilities and Corporate Facility will be $3,500 million and $750 million, respectively, prior to the Issue Date. See “Description of certain financing arrangements.”

The following table presents information on our borrowings, as of December 31, 2013 on a *pro forma* basis after giving effect to the Refinancing.

	Pro forma as of December 31, 2013	
(in millions of $)	**Current**	**Non-current**
Corporate Facility	—	—
RBL Facilities	—	812.1
Norwegian Facility	159.4	—
2020 Senior Notes	—	650.0
Senior Notes	—	650.0
Total	159.4	2,112.1

The following table details our remaining contractual maturity for debt as of December 31, 2013, on a *pro forma* basis after giving effect to the Refinancing. The table has been compiled based on the undiscounted cash flows of financial liabilities on the earliest date on which we can be required to pay.

(in millions of $)	*Pro forma* as of December 31, 2013
Due within one year	159.4
Due within two to five years	—
Due after five years	2,112.1
Total	2,271.5

We estimate that we will be required to make $159.4 million of debt principal repayments on our Norwegian Facility by December 31, 2014, but have not made any payments towards this to date. We expect that we will be able to repay our borrowings through a tax refund from the Norwegian government. We expect to partially repay (without reducing commitments under) our RBL Facilities using the proceeds from this offering. See “Use of proceeds.”

For a more detailed description of our financing arrangements, see “Description of certain financing arrangements.”

Qualitative and quantitative disclosures about market risk

Credit risk management

Credit risk refers to the risk that a counterparty will fail to perform or fail to pay amounts due, resulting in financial loss to us. We have a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. We limit 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. In addition, we attempt 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. Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

We do 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 our financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, other current assets and other non-current receivables, as of December 31, 2011, 2012 and 2013 was $1,254.2 million, $1,769.7 million and $1,908.7 million, respectively.

In addition, we have in the past extended financing to an FPSO construction contractor. During 2010 and 2011, we and our commercial partners at the Jubilee field in Ghana provided loans to a subsidiary of MODEC INC. ("**MODEC**") to partially fund the construction of the Jubilee FPSO, which we had agreed to lease upon completion. MODEC requested working capital financing assistance due to liquidity issues in the FPSO financing market. MODEC repaid these loans in full using the proceeds it received in December 2011 following our and our commercial partners' decision to purchase the Jubilee FPSO.

In August 2013, following a competitive tender, we, as operator of the TEN field in Ghana, awarded MODEC a contract to construct and lease the TEN FPSO to us and our commercial partners. At the end of September, MODEC completed a comprehensive finance plan, which covers the forecast conversion costs of the TEN FPSO. See "Risk factors—Risks relating to our business—Failure by us, our contractors or our offtakers to obtain access to necessary equipment and transportation systems could materially and adversely affect our business, prospects, financial condition and results of operations."

Liquidity risk management

Liquidity and refinancing risks refer to the risk that we will not be able to obtain sufficient financing from lenders and the capital markets to meet our working capital and project financing and refinancing requirements. We closely monitor and manage our liquidity requirements through the use of both short- and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from our portfolio of producing fields and delays in development projects. In addition to our operating cash flows, portfolio management opportunities are reviewed to potentially enhance our financial capacity and flexibility. Ultimate responsibility for liquidity risk management rests with our board of directors, which has built a liquidity risk management framework which we believe to be appropriate for the management of our short-, medium- and long-term funding and liquidity management requirements.

Included in our cash and cash equivalents balances is cash held in bank accounts related to business ventures with our commercial partners. These balances were $221.3 million, $223.8 million and $201.0 million as of December 31, 2011, 2012 and 2013, respectively. Although these balances are short-term and highly liquid, they are restricted for use within the business ventures to which they relate and cannot be used for our general funding requirements. See "Capitalization."

Foreign currency risk management

We generally conduct and manage our business in U.S. dollars and pounds sterling (in the United Kingdom), which are the operating currencies of the industry in the geographic areas where we operate. Our current drawings under our facilities are also denominated in Krone (Norway) and we have the ability to draw in euros under the RBL Facilities, which further assists in foreign currency risk management. From time to time, we undertake certain transactions denominated in other currencies. These exposures are managed by executing financial derivatives relating to that currency, typically to manage exposures arising on corporate transactions such as acquisitions and disposals. There were no material non- U.S. dollar denominated financial derivatives in place as of December 31, 2011, 2012 or 2013. Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As of December 31, 2011, 2012 and 2013, our only material monetary assets or liabilities that were not denominated in the functional currency of the respective subsidiaries involved were non-US dollar denominated cash and £106.0 million in cash drawings under our borrowing facilities. The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities as of December 31, 2011, 2012 and 2013 were net liabilities of $124.8 million, $143.3 million and $137.5 million, respectively.

We are mainly exposed to fluctuations in other currencies against the U.S. dollar, in particular the British pound and the Norwegian Krone. We measure our market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses include only outstanding non-U.S. dollar denominated monetary items and adjusts their translation at the period end for a 20% change in such non-U.S. dollar rates. As of December 31, 2013, a 20% increase in currency exchange rates against the functional currencies of our entities would have resulted in a decrease in non-U.S. dollar denominated liabilities and equity of $29.1 million, compared to $28.5 million in 2012, while a 20% decrease would have resulted in an increase in non-U.S. dollar denominated liabilities and equity of $35.0 million, compared to $34.3 million in 2012.

Commodity price risk management

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

As of December 31, 2011, 2012 and 2013, all of our oil and gas derivatives have been designated as cash flow hedges. Our oil and gas hedges have been assessed by us 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 our oil hedges arising from, among other factors, the discount on our crude oil located in Africa relative to Brent crude oil and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in our gas hedges which arises from, among other factors, day-to-day field production performance.

Our derivative carrying and fair values were as follows as of December 31, 2013:

Assets/liabilities (in millions of $)	**Less than 1 year**	**1-3 years**	**Total 2013**
Cash flow hedges			
Oil derivatives	5.0	27.3	32.2
Gas derivatives	(0.1)	(0.1)	(0.2)
Interest rate derivatives	(4.5)	6.8	2.3
	0.4	34.0	34.4
Deferred premium			
Oil derivatives	(48.1)	(55.4)	(103.5)
Gas derivatives	(0.4)	(0.1)	(0.5)
	(48.5)	(55.5)	(104.0)
Total assets	—	6.8	6.8
Total liabilities	(48.1)	(28.3)	(76.4)

As of December 31, 2013, our commodity hedge position to the end of 2016 was as follows:

Hedge position	**2014**	**2015**	**2016**
Oil hedges			
Volume hedged (bopd)	35,500	25,500	12,000
Net entitlement production hedged (%)	61	40	20
Downside price protected ($/bbl)	83.66	83.75	82.27
Revenue protected at floor (in millions of $)	1,084	780	361
Gas hedges			
Volume hedged (mcfd)	15.09	4.86	0.60
Sales volume hedged (%)	24	6	1
Downside price protected (p/therm)	60.19	56.23	63.00
Revenue protected at floor (in millions of £)	33.95	10.23	1.43

Interest rate risk management

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under our credit facilities, all of which currently have floating interest rates. We have historically managed interest rate risk using interest rate swaps. We may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness. See "Risk factors—Risks relating to the Notes and our structure—Certain of our borrowings bear interest floating rates that could rise significantly, increasing our interest cost and reducing cash flow."

Critical accounting policies

Critical accounting judgments

Carrying value of intangible exploration and evaluation assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with our accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgment.

The key areas in which we have applied judgment are as follows: our intention to proceed with a future work program for a prospect or license; the likelihood of license renewal or extension; and the success of a well result or geological or geophysical survey. Further details on this accounting policy are included in note (l) to our audited consolidated financial statements for the year ended December 31, 2013.

Key sources of estimation uncertainty

Carrying value of property, plant and equipment

We perform impairment tests on our property, plant and equipment assets at least annually with reference to indicators in IAS 36 and perform valuations of acquired property, plant and equipment in conjunction with IFRS 3 Business Combinations. The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. IAS 36 requires a company to record an impairment for an asset or cash generating unit when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Key assumptions and estimates in the value in use calculation relate to commodity prices that are based on expected oil prices in 2014 and 2015 and the long term corporate economic assumptions thereafter and discount rates that are based on conditions specific to individual assets, commercial reserves and the related cost profiles.

Commercial reserves estimates

Commercial reserves are estimates of the amount of oil and gas that can be economically extracted from our oil and gas assets. Commercial reserves are estimated using standard recognized evaluation techniques. See "Presentation of financial and other information—Certain reserves and production information." We review the estimate at least twice annually and independent consultants regularly reviewed such estimate.

Our reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of our production sharing contracts. We estimate future development costs taking into account the level of development required to produce the commercial reserves by reference to other operators, where applicable, and internal engineers.

Decommissioning costs

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. As a result, significant estimates and assumptions are made in determining the provision for decommissioning.

We review the costs of decommissioning annually. We estimate our decommissioning costs by reference to other operators, where applicable and appropriate, and as advised by our internal engineers and independent specialists. An independent expert undertook a review of all decommissioning cost estimates at the start of 2013, which was reviewed and updated internally for the purposes of our audited consolidated financial statements for the year ended December 31, 2013. Provisions for environmental cleanup and remediation costs are based on current legal and contractual requirements, technology and price levels.

For all assets, other than certain Gabonese assets, we have a legal obligation in respect to decommissioning. We recognize in full a provision for decommissioning an asset when the related facilities are installed. We also recognize a corresponding amount equivalent to the provision as part of the cost of the related property, plant and equipment. The amount recognized 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.

Recoverability of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Our judgment is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

Capital gains tax due on Uganda farm-down

In 2011, the Uganda Revenue Authority (**URA**) issued us with an assessment for $473 million in respect of capital gains tax on our farm-down of two-thirds of our interests in our Ugandan licenses to Total and CNOOC. In February 2012, shortly after completion of the farmdown, we paid $142 million to the URA, being 30% of the tax assessed that was legally required to be paid in order for us to dispute the assessment. The assessment denies relief for costs incurred by us in the normal course of developing the assets, and excludes certain contractual and statutory reliefs from capital gains tax that we maintain are properly allowable. The dispute was heard before the Ugandan Tax Appeals Tribunal (**TAT**) in 2012 and 2013 and a decision is expected in May 2014. If we are unsuccessful, we expect to make an appeal to the Ugandan High Court. International Arbitration proceedings have also commenced relating to contractual aspects of the dispute. We intend to pursue all available legal options and appeals until a final determination is made.

It is possible that the TAT may not find in our favor such that we would be required to make a tax payment of $399 million (the amount which we believe is the most likely result of the Tribunal process in the event that it does not find in our favor) in the first half of 2014. However, based on external legal advice, we believe it is probable that the International Arbitration will result in an award in our favor. The TAT and International Arbitration proceedings have been viewed in aggregate as a single unit of account in line with our accounting policy. As we believe the most probable outcome from the full legal process is that no additional liability other than the $142 million paid to the URA in 2012 will arise, the $399 million has not been recorded as a liability in our consolidated financial statements as of and for the year ended December 31, 2013. If a payment is required in respect of the proceedings before the TAT, a receivable relating to the potential reimbursement arising as a result of the International Arbitration proceedings will be recorded. The possible risk of us being unsuccessful in both the TAT and International Arbitration has been disclosed as a contingent liability in our consolidated financial statements as of and for the year ended December 31, 2013. We have applied judgment in determining an appropriate accounting policy for the unit of account of uncertain tax positions in line with provisions of similar standard setting bodies. See "Our Business—Legal and arbitration proceedings—Litigation over capital gains assessment by the Uganda Revenue Authority related to the Ugandan farm-downs."

Other tax provisions

We are subject to various claims which arise in the ordinary course of our business, including tax claims from tax authorities in a number of the jurisdictions in which we do business. We assess all such claims in the context of the tax laws of the countries in which we do business and, where applicable, make provisions for any settlements which we consider probable. We believe that we have recorded adequate provisions as of December 31, 2013 for all such matters.

Other assets

Recoverability of contingent consideration

On completion of the Ugandan farm-down in 2012, we recognized $341.3 million of contingent consideration due from Total and CNOOC as a non-current receivable. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals, particularly the final investment decision for the export pipeline, prior to 30 June 2014. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable over the period July 1, 2014 to December 31, 2016. The settlement date of such approvals is the subject of ongoing discussions with the government of Uganda and our commercial partners regarding the development program for Uganda.

Recoverable security paid to Uganda Revenue Authority

Under the terms of Tullow and Heritage's sale and purchase agreement, we commenced proceedings against Heritage in the U.K. High Court to recover the $313 million security that we were required to pay to the URA as Heritage's designated agent. We were successful in this action and received payment of $345.8 million (which included receipt of the $313 million and interest) in August 2013. On September 20, 2013, the Court of Appeal granted Heritage permission to appeal the High Court's judgment with the appeal hearing expected to take place in May 2014. We have exercised judgment and believe, based on external legal advice, that the most likely outcome of the appeal will be an award in our favor. See "Our business—Legal and arbitration proceedings—Litigation to recover payment made to the Uganda Revenue Authority in respect of acquisition of Ugandan assets."

Industry and market data

Certain of the projections and other information set forth in this section have been derived from external sources including BP Statistical Review of World Energy; U.S. Department of Energy, Energy Information Administration; CIA World Factbook; World Bank; International Monetary Fund; Extractive Industries Transparency Initiative; African Development Bank; World Trade Organization; Institut Français des Relations Internationales; Norwegian Petroleum Directorate; Ghana National Petroleum Corporation; Bank of Ghana; and Ghana Energy Commission, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Unless otherwise indicated, all production figures are presented on a net to our working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the fields and license areas without deduction for the economic interest of other participants, taxes or royalty interests or otherwise. Our legal interest and effective working interest in the relevant fields and license areas are separately disclosed.

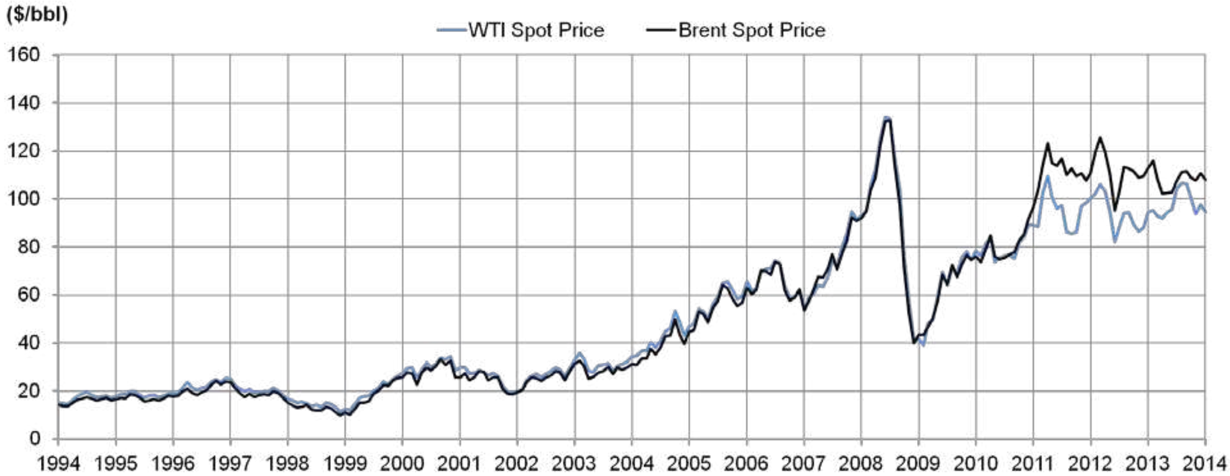
The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk factors" and "Forward-looking statements."

Global overview and recent events

Global demand for energy is linked to movements in gross domestic product ("**GDP**") and, accordingly, fluctuates with economic cycles. Global activity and world trade increased in the second half of 2013 compared to 2012 and the first half of 2013. Demand for energy in advanced economies expanded broadly. In emerging market economies, an export rebound was the main driver behind increased activity, while domestic demand generally remained subdued, except in China. Financial conditions have remained tighter following the U.S. tapering announcements in May 2013, notwithstanding fairly resilient capital flows. (Source: IMF—"World Economic Outlook Update", January 2014).

Global energy demand neared a long-expected milestone in 2013 when total liquid fuel consumption by countries outside the Organization for Economic Co-operation and Development ("**OECD**") nearly surpassed that of OECD member countries for the first time. OECD members' demand grew slightly in 2013, reversing the downward trend in six out of the previous seven years. During the same time, non-OECD demand rose by 1.1 million bopd. China alone accounted for almost 35% of global demand growth and eclipsed the United States to become the world's largest importer of crude oil. However, the decreased U.S. crude imports, as a consequence of the shale revolution, played an even larger role than increased Chinese imports. North America dominated global liquid fuels production growth in 2013, with production rising by 1.5 million bopd in the United States and Canada, whereas production fell by 0.8 million bopd in the rest of the world. As production increased in several countries outside of North America, widespread disruptions in several key member countries of the Organization of the Petroleum Exporting Countries ("**OPEC**") and decisions made by other OPEC producers, together reduced the rest of world's total oil production. The largest production growth outside of North America occurred in Russia, which added 0.1 million bopd. (Source: U.S. Department of Energy, Energy Information Administration—"This Week In Petroleum", January 3, 2014).

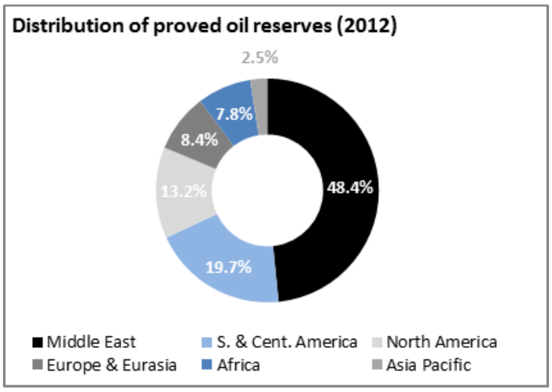
Non-OPEC production grew by 1.4 million bopd in 2013, exceeding 55 million bopd by the end of the year. Unplanned supply disruptions among non-OPEC producers averaged 0.8 million bopd in 2013, a slight decline from 0.9 million bopd in 2012 but still considerably above the 2011 level of 0.5 million bopd. South Sudan, Syria, and Yemen continue to account for more than 80% of total non-OPEC supply disruptions. OPEC crude oil production averaged 30.0 million bopd in 2013, a decline of 0.9 million bopd from the previous year, due to increased outages in Libya, Nigeria and Iraq. Unplanned crude oil supply disruptions among OPEC producers averaged 1.8 million bopd in 2013, nearly double the amount from the previous year. OPEC disruptions increased in the second half of 2013, reaching 2.6 million bopd by the end of the year primarily due to increased outages in Libya. (Source: U.S. Department of Energy, Energy Information Administration—"Short term Energy Outlook", February 2014).

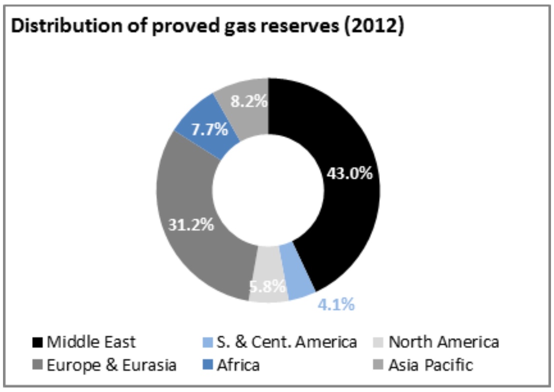


(*Source*: U.S. Department of Energy, Energy Information Administration, Monthly Spot Prices, January 1994-2014)

During the ten years ended December 31, 2012, oil prices increased significantly. Brent crude oil prices rose by 249.7% over the period though this was a less sharp rise than that was seen during the 1970s. Gas prices outside the United States also rose, with the U.K. Heren price increasing by 2.8 times, although U.S. gas prices have halved over the same period. *(Source: BP Statistical Review of World Energy, June 2013).* However, international crude oil prices were relatively stable in 2013 despite significant production disruptions. Higher U.S. production and seasonally elevated Saudi Arabian production maintained peak summer production levels into the fall of 2013, offsetting outages elsewhere. West Texas Intermediate (WTI) spot prices averaged $98/bbl in 2013, up 4% from 2012 and the highest annual average since 2008. The Brent spot price averaged $109/bbl, down 3% from 2012. Brent prices came under downward pressure as rising U.S. light sweet crude oil production reduced the need for U.S. imports, thereby increasing supplies of Brent-quality crude oil available to the global market. *(Source: U.S. Department of Energy, Energy Information Administration—U.S. crude oil production growth contributes to global oil price stability in 2013", January 2014).*

The long-term energy outlook remains focused on emerging economies and forecasts suggest that more than 95% of the growth in energy consumption in the period from 2012 to 2035 will come from non-OECD countries, with energy consumption growth in OECD countries in 2035 expected to be only 5% higher than in 2012, and falling from 2030 onwards. World primary energy production growth is expected to match consumption over the period from 2012 to 2035, with an annual growth rate of 1.5% during that period. Growth in production is projected to be dominated by the non-OECD countries, which are expected to account for 80% of the world's total increase, compared to 78% in 2012 and 58% in 1990. Despite increases in the markets for shale oil, renewable energy and other sources of energy, the projected growth in consumption means that an increase in conventional fossil fuel supplies will still be needed and such supplies are expected to provide almost half the growth in energy supply in the period up to 2035. *(Source: BP Energy Outlook 2035, January 2014).*





(*Source*: BP Statistical Review of World Energy, June 2013)

Africa is expected to become an increasingly important source of fossil fuel exports. In 2012, Africa had proved oil reserves of more than 130 billion barrels, which accounted for 7.8% of the world total proved oil reserves and represented an increase of 113.3% from 1992. Oil production in Africa over this period increased by approximately 34.8% to 9.4 million bopd. In 2012, African gas reserves were estimated to be 512 trillion cubic feet, comprising a 7.7% share of the world total and an increase of 46.6% from its 1992 reserves. Additionally, approximately 20.9 bcfd of gas was produced in Africa in 2012, an increase of 175.3% from production in 1992). *(Source: BP Statistical Review of World Energy, June 2013).*

Following the success of our and Kosmos' Jubilee field discovery and adjacent finds in Ghana, there has been growing interest in the exploration frontiers of West Africa, especially in the West Africa Transform Margin. In particular, we, Total, Anadarko and several other oil and gas companies have been actively exploring an area stretching from offshore Ghana in the east to offshore Guinea in the west in an attempt to replicate the Jubilee field success. Until recently, East Africa was not considered a prime region for hydrocarbon exploration and production. However, over the last few years the pace of exploration activity has picked up, with foreign oil and gas companies having made a number of sizeable offshore and onshore discoveries in the region. (*Source: U.S. Department of Energy, Energy Information Administration, "Emerging East Africa Energy"—May 2013).*

We have been at the forefront of opening up new oil provinces onshore East Africa, through the discovery of approximately 1.5 billion barrels of recoverable oil resources in the Lake Albert Rift Basin in Uganda and seven successful exploration wells in the South Lokichar Basin in Kenya. Additionally, vast amounts of gas resources, potentially in excess of 100 trillion cubic feet, have been discovered offshore Mozambique by Anadarko and Eni and further sizeable gas finds have been made offshore Tanzania by BG and Statoil.

Europe has a number of mature oil and gas provinces, with many countries experiencing production declines from existing fields. Norway, however, has seen significant exploration optimism in the past couple of years, following several substantial discoveries on the Norwegian Continental Shelf ("**NCS**"), such as Johan Sverdrup in the North Sea and Johan Castberg in the Barents Sea. In September 2013, we opened the new Hoop-Maud Basin following the drilling of the Wisting Central well in the Barents Sea.

As a result, the level of exploration activity has been high over the past five years, with more than 40 exploration wells spudded per annum and extensive acquisition of seismic data. The Norwegian Petroleum Directorate believes that substantial resources remain to be found. Combined with resources in discoveries and improved recovery from producing fields, the potential exists for profitable production from the NCS substantially beyond 2030. *(Source: Norwegian Petroleum Directorate, "Petroleum resources on the Norwegian Continental Shelf—2013, Exploration").*

Africa (West and North)

Ghana

General

Located in Western Africa, Ghana has a total population of over 25 million, with 52% living in urban areas. The government of Ghana has been a constitutional democracy since 1992, from which time it has held multi-party presidential elections every four years. The President is vested with executive powers and acts also as head of government, while the legislative branch is represented by a unicameral Parliament. Both the President and members of the Parliament are elected by direct popular vote. *(Source: CIA World Factbook—Ghana, February 2014).* The two main parties (National Patriotic Party and National Democratic Congress) have alternated in power since the 1980s.

Ghanaian institutions, their adherence to the rule of law and the country's supportive business environment compare favorably with those of most other emerging countries (and of some developed countries as well). In particular, Ghana ranked 6th (out of 52 African countries, ahead of South Africa) under the "Safety and Rule of Law" category in the 2013 Ibrahim Index of African Governance. It also ranked 67th (out of 189 world countries, ahead of countries such as Brazil, India, China and Russia) in the World Bank's 2014 Doing Business report, and 43rd out of 189 world countries under the "Enforcing contracts" category in the same report (ahead of countries such as India, Italy, Mexico and South Africa). Additionally, Ghana ranked 63rd (out of 177 world countries, ahead of countries such as Brazil, China, India, Italy, Mexico, Russia and South Africa) in the 2013 Corruption Perceptions Index published by Transparency International. Finally, Ghana ranked 32nd (out of 97 world countries, ahead of countries such as Brazil, China, India, Italy, Mexico and Russia) under the category "Civil Justice" of the 2012-13 World Justice Project Rule of Law Index. (*Sources*: *2013 Ibrahim Index of African Governance: Summary*; *World Bank. 2014. Doing Business 2014: Smarter Regulations for Small and Medium-Size Enterprises*; *Transparency International Annual Report 2013*; *WJP Rule of Law Index 2012-13*).

Agriculture is the main part of Ghana's economy, accounting for approximately one-quarter of the GDP and employing more than half of the workforce. Ghana is also rich in natural resources, with oil production at Ghana's offshore Jubilee field beginning in mid-December 2010 and the industry expected to boost the economy in the near future. Gold and cocoa production and individual remittances are major sources of foreign exchange. *(Source: CIA World Factbook—Ghana, February 2014).* The country's economy is growing ahead of the average for the Africa region. In 2012, Ghana's GDP was $40.71 billion, approximately a 7.9% increase from the previous year, while gross national income per capita on a purchasing power parity basis was $1,910. (*Source: World Bank—Ghana Overview, October 2013*).

Inflation expectations have increased in Ghana and headline inflation ended 2013 at 13.5%, whereas the value of the local currency, the cedi, decreased versus the U.S. dollar by 14.6% in 2013, and depreciated by an additional 7.8% as of the end of January 2014. *(Source: Bank of Ghana, Monetary Policy Committee—Press release, February 2014).* On February 5, 2014, the Ghanaian central bank introduced a series of foreign exchange controls, including revised regulations on foreign exchange accounts, foreign currency accounts and repatriation of export proceeds. The new regulations require the use of Ghanaian cedi in all domestic transactions and reinforce the cedi as the sole legal tender. These regulations have been issued in an attempt to halt the depreciation of the Ghanaian cedi and stem the flow of capital out of the country. Among other things, the new regulations also require Ghanaian companies to perform Ghanaian cedi/U.S. dollar foreign exchange transactions within Ghana and prohibit such transactions being performed offshore. See "Risk factors—Risks relating to our business—We are subject to currency exchange and inflation risks, which might adversely affect our financial condition and results of operations." *(Source: Bank of Ghana—"Revised rules on the operation of foreign exchange accounts (FEA) and foreign currency accounts (FCA)" and "Repatriation of export proceeds", February 2014).*

Oil and Gas Industry in Ghana

Five sedimentary basins have been identified in Ghana, one onshore (Voltaian basin) and four offshore (Accra-Keta basin, Saltpond/Central basin, Tano basin and Cape Three Points basin), but these have not been extensively explored. *(Source: Ghana National Petroleum Corporation).*

Saltpond was Ghana's first commercial discovery in 1970. Production at Saltpond commenced in 1978 and lasted until 1985. The field produced approximately 3.5 million bbl of oil. *(Source: Ghana National Petroleum Corporation).*

Following the discovery of the Jubilee field in 2007, Ghana's energy sector has expanded considerably. The field produced first oil in 2010, and oil production in Ghana has increased due to Jubilee field production from 7,000 bopd in 2009 to approximately 80,000 bopd in 2012. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Ghana, August 2013).* Since the discovery of the Jubilee field, there have been 23 further discoveries offshore Ghana, including the Tweneboa, Enyenra and Ntomme cluster of fields. Ghana's total petroleum production is thus set to further increase with the recent signing of a plan of development for the TEN Project and on-going negotiations for the finalization and signing of the plan of development of the Sankofa oil and gas field. (*Source: Ghana Energy Commission—"Meet the press 2013, Presentation by Hon. Emmanuel Armah- Kofi Buah, Minister for energy and petroleum", July 2013*).

The following table sets forth Ghana's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Ghana	
Total oil production (bopd)	79,630
Crude oil production (bopd)	78,360
Natural gas production (bcf)	0.0

	As of January 1, 2013
Reserves in Ghana	
Oil proved reserves (mmbbl)	660
Gas proved reserves (bcf)	800

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Ghana, August 2013

We and Kosmos are the main operators in the country. Other key energy companies in Ghana include Anadarko, Eni, Lukoil and Hess.

Equatorial Guinea

General

Equatorial Guinea is located in Central Africa with a population of approximately 700,000, the majority of which live in rural areas. Equatorial Guinea is a presidential republic and the legislative power lies with a bicameral Parliament consisting of a Senate and a House of People's Representatives. *(Source: CIA World Factbook—Equatorial Guinea,* *February 2014)*. The country consists of the island of Bioko, where the capital Malabo is situated, and an onshore area known as Rio Muni.

Equatorial Guinea is one of Africa's major oil producing countries, with the highest per capita income in Sub-Saharan Africa. In 2012, the oil and gas sector accounted for about 77% of GDP, close to 100% of total exports, and approximately 90% of revenue. Equatorial Guinea's GDP grew at 7.7% in 2011 but grew at a slower rate during 2012 and is expected to grow at a rate of 4.9% for 2013 with the lower growth rates due to the continued drop in oil production. *(Source: African Development Bank, Republic of Equatorial Guinea Country Strategy Paper 2013-17—June 2013)*. In 2012, Equatorial Guinea's GDP was $17.70 billion, representing approximately a 2.0% increase from the previous year, while gross national income per capita on a purchasing power parity basis was $18,570. *(Source: World Bank—Equatorial Guinea Overview, August 2013).*

Oil and gas industry in Equatorial Guinea

Equatorial Guinea has the eighth-largest crude oil reserves in Sub-Saharan Africa and its natural gas reserves are the tenth largest in the region. A large portion of these reserves are located offshore near Bioko Island. Production originates entirely from offshore fields and reached its peak in 2007. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Equatorial Guinea, August 2013).*

Equatorial Guinea's territory overlies parts of two world-class offshore petroliferous sedimentary basins, the Niger Delta-Rio del Ray basin system (Zafiro and Alba fields) and the Rio Muni basin (Ceiba field and Okume Complex). The ultra-deepwater Gulf of Guinea could also contain a thick sedimentary section with petroleum potential. *(Source: Ministry of Mines, Industry and Energy of Equatorial Guinea).* The Zafiro field has been the backbone of the country's oil production but its current output has more than halved since its peak. Despite the recent commencement of production from the Alen field, which is producing gas-condensate, new production is not enough to offset natural declines. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Equatorial Guinea, August 2013).*

The following table sets forth Equatorial Guinea's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Equatorial Guinea	
Total oil production (bopd)	310,400
Crude oil production (bopd)	289,400
Natural gas production (bcf)	243.0

	As of January 1, 2013
Reserves in Equatorial Guinea	
Oil proved reserves (mmbbl)	1,100
Gas proved reserves (bcf)	1,300

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Equatorial Guinea, May 2013

Gabon

General

Gabon is located in Central Africa with a population of approximately 1.6 million, the majority of which live in urban areas. Gabon is a presidential republic with a bicameral legislature consisting of the Senate and the National Assembly. *(Source: CIA World Factbook—Gabon, February 2014).*

The economy is dependent on natural resources and relied on timber and manganese until oil was discovered offshore in the early 1970s. Oil accounted for approximately 49% of Gabon's GDP, approximately 54% of its budget revenues and approximately 83% of export revenues in 2011. *(Source: Gabon's report to the World Trade Organization, June 2013).* In 2012, Gabon's GDP was $18.38 billion, which represents approximately a 5.6% increase from the previous year, while gross national income per capita on a purchasing power parity basis was $14,090. (*Source: World Bank—Gabon Overview, October 2013*).

Oil and gas industry in Gabon

Gabon's sedimentary basin lays 30% onshore and 70% offshore, with approximately 47% of the surface allotted being open to exploration. *(Source: Gabon's report to the WTO, June 2013).* Most of Gabon's oil fields are located in the Port-Gentil area. Gabon was a member of OPEC from 1975 to 1994 but left the organization because of high annual fees. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Gabon, January 2014).*

Since peak production was achieved in 1997, oil output in Gabon has declined by one-third as large oil fields have matured. However, the rate of decline has slowed in recent years as IOCs operating in the country invested in life-extension projects at mature fields. In the long run, new exploration in the deepwater pre-salt fields will determine oil production growth. In 2011, Harvest Natural Resources ("**Harvest**") struck oil at its Ruche-1 wildcat well in the pre-salt layers offshore Gabon. This was followed by a second oil discovery at the same well a month later. Harvest also made further discoveries at the Dussafu Tortu Marin-1 well. Total's recent gas condensate discovery at its Diaba license has further de-risked the pre-salt play. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Gabon, January 2014).* In March 2014, Ophir Energy announced that drilling operations on the Paduock Deep-1 well in the Ntsina Block did not find significant hydrocarbons in the targeted reservoirs.

The following table sets forth Gabon's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Gabon	
Total oil production (bopd)	241,960
Crude oil production (bopd)	242,330
Natural gas production (bcf)	3.2

	As of January 1, 2013
Reserves in Gabon	
Oil proved reserves (mmbbl)	2,000
Gas proved reserves (bcf)	1,000

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Gabon, May 2013

IOCs dominate exploration and production activities in Gabon and hold large equity stakes in exploration and development through PSCs. Total S.A. and Royal Dutch Shell are the largest oil producers in Gabon. Other important oil producers include Perenco, Addax Petroleum and Vaalco Energy. *(Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Gabon, January 2014).*

Côte d'Ivoire

General

Côte d'Ivoire is located in Western Africa with a population of over 22 million, with over half living in urban areas. The government of Côte d'Ivoire is a semi-presidential republic. The legislative branch is represented by a unicameral National Assembly. *(Source: CIA World Factbook—Côte d'Ivoire, February 2014).*

Côte d'Ivoire is heavily dependent on agriculture and related activities, which engage approximately 68% of the population. Côte d'Ivoire is the world's largest producer and exporter of cocoa beans and a significant producer and exporter of coffee and palm oil. *(Source: CIA World Factbook—Côte d'Ivoire, February 2014).* In 2012, Côte d'Ivoire's GDP was $24.68 billion, which represents a 9.5% increase from the previous year, while gross national income per capita on a purchasing power parity basis was $1,920. *(Source: World Bank—Côte d'Ivoire Overview, September 2013).*

Oil and Gas Industry in Côte d'Ivoire

The Ivorian sedimentary basin consists of two main areas, an onshore area and an offshore area that extends 150 kilometers out from the shore and in which the deepwater offshore deposits have the greatest potential. Although Ivorian production today is less than that of many other West African countries it is estimated that daily oil production will exceed 65,000 bopd and gas production will stabilize at approximately 200 mmcf in 2020. Increased involvement of the IOCs in Côte d'Ivoire supports these forecasts. *(Source: Extractive Industries Transparency Initiative, ITIE—"Rapport de l'Administrateur indépendant de l'ITIE pour les revenues de l'année 2011", Côte d'Ivoire, April 2013).*

Côte d'Ivoire currently has four producing hydrocarbon assets, the Lion and Panthère fields, the Foxtrot field, the Espoir field and the Baobab field. Canadian Natural Resources ("**CNR**") is the operator of the latter two fields and a major player in Côte d'Ivoire. Other oil and gas companies present in the country include us, Svenska Petroleum, Petroci, Foxtrot International, Anadarko, Edison, Lukoil, Afren, Oranto, Vanco, Rialto Energy, Total and African Petroleum. *(Sources: Extractive Industries Transparency Initiative, ITIE—"Rapport de l'Administrateur indépendant de l'ITIE pour les revenues de l'année 2011", Côte d'Ivoire, April 2013).*

The following table sets forth Côte d'Ivoire's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Cote d'Ivoire	
Total oil production (bopd)	38,560
Crude oil production (bopd)	37,920
Natural gas production (bcf)	57.2

	As of January 1, 2013
Reserves in Cote d'Ivoire	
Oil proved reserves (mmbbl)	100
Gas proved reserves (bcf)	1,000

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Côte d'Ivoire, May 2013

Mauritania

General

Mauritania is located on the western edge of the Sahara desert with a population of approximately 3.4 million, of which approximately 40% live in urban areas. Mauritania is an Islamic republic. The political system remains in transition following a coup d'etat in 2008 and a presidential election in 2009. Legislative elections originally scheduled for 2010 have been repeatedly delayed. Under the constitution, the legislative branch is a bicameral parliament consisting of the Senate and the National Assembly. (*Source: U.S. CIA World Factbook—Mauritania, February 2014*).

Half the population of Mauritania depends on agriculture and livestock for a livelihood. Mauritania has extensive deposits of iron ore, which account for nearly 40% of total exports. The nation's coastal waters are among the richest fishing areas in the world but overexploitation by industrial fisheries threatens this key source of revenue. *(Source: U.S. CIA World Factbook—Mauritania, February 2014)*. In 2012, Mauritania's GDP was $4.20 billion, representing approximately a 7.6% increase from the previous year, while gross national income per capita on a purchasing power parity basis was $2,480. *(Source: World Bank—Mauritania Overview, August 2013).*

Oil and Gas Industry in Mauritania

Oil production in Mauritania commenced in February 2006 at the offshore Chinguetti field, located on the Coastal Basin. In 2011, it remained the only producing field in the country. After production peaked at 66,000 bopd in March 2006, it stabilized at 15,000 bopd by the end of 2006 and approximately 7,000 bopd in 2011. In 2011, all of the oil production in Mauritania was attributable to the Chinguetti Consortium, consisting of us, Petronas as the operator, Kufpec, SMH and Premier Oil. *(Source: Extractive Industries Transparency Initiative, ITIE—"Rapport de l'Administrateur indépendant de l'ITIE pour les revenues de l'année 2011", Mauritania, June 2013).*

The following table sets forth Mauritania's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Mauritania	
Total oil production (bopd)	6,580
Crude oil production (bopd)	6,580
Natural gas production (bcf)	0.0

	As of January 1, 2013
Reserves in Mauritania	
Oil proved reserves (mmbbl)	20
Gas proved reserves (bcf)	1,000

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Mauritania, May 2013

In addition to the companies involved in the Chinguetti Consortium, Dana Petroleum, International Petroleum Grouping, Repsol, Sonatrach, Total and Wintershall were conducting exploration activities in Mauritania in 2011 *(Source: Extractive Industries Transparency Initiative, ITIE—"Rapport de l'Administrateur indépendant de l'ITIE pour les revenues de l'année 2011", Mauritania, June 2013)*. Through the end of 2012, a total of 7 discoveries were made in Mauritania, representing a success ratio of greater than 35%. *(Source: Institut Français des Relations Internationales, IFRI—"Les ressources naturelles en Mauritanie: opportunités et défis," February 2013)*. In February 2014, we announced that the Fregate-1 well offshore Mauritania had discovered up to 30 meters of net gas condensate and oil accumulation, but this well has been plugged and abandoned as the hydrocarbons encountered were not of commercial quantities. We believe that the well achieved a technical breakthrough by establishing a new oil play in deepwater Lake Cretaceous turbidites and we expect to analyze geological data further before planning follow-up activities.

Africa (East)

Uganda

General

Uganda is a landlocked country in East Africa with a population of approximately 34.7 million. Uganda is a republic and the legislative power lies with the unicameral Parliament. *(Sources: U.S. CIA World Factbook—Uganda, February 2014).*

Uganda has substantial natural resources, including recently discovered oil. Agriculture is the most significant sector of the economy, employing over 80% of the workforce. Coffee accounts for the bulk of export revenues. Since 1990, economic reforms have ushered in an era of stable economic growth. However, unreliable power, high energy costs, inadequate transportation infrastructure, and corruption restrain economic development and investor confidence. Oil revenues and taxes derived from oil production are expected to become a larger source of government funding as oil comes on line in the next few years. (*Source: U.S. CIA World Factbook—Uganda, February 2014)*. In 2012, Uganda's GDP was $19.88 billion, representing a 3.4% increase from the previous year, while its gross national income per capita on a purchasing power parity basis was $1,120. Per capita GDP growth averaged only approximately 4% over the past two decades due to rapid population growth. In 2013, forecasters see a modest GDP recovery of about 5%. (*Source: World Bank—Uganda Overview, October 2013*).

Oil and gas industry in Uganda

Oil exploration in Uganda dates back to the early 1920s, though it was challenged by political instability for most of the twentieth century. In 2006, the first commercial oil discovery was made in the Lake Albert Rift Basin. Since then, over 50 wells were drilled at the Lake Albert Rift Basin and the vast majority encountered oil. Currently, Uganda does not produce any hydrocarbons, but small-scale oil production may begin within the next few years. Full- scale oil production is expected to start three years following the approval of any plan of development. However, this will depend largely on infrastructure development, specifically a refinery and/or an export crude oil pipeline. (*Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Note—Uganda, April 2013).*

We sold a two-thirds stake of our 100% interest in licenses in four blocks in the Lake Albert Rift Basin in 2012 to Total and CNOOC after successful exploration campaigns which discovered 1.0 billion barrels of gross recoverable oil reserves. We, along with Total and CNOOC, are currently leading Ugandan exploration and development activities. Recently, the government of Uganda and we and our commercial partners entered into a Memorandum of Understanding which envisages a crude export pipeline from the Lake Albert Basin to the Kenyan coast, to be developed in parallel with a petroleum refinery with appropriate capacity to process expected regional production.

Kenya

General

Kenya is situated on the equator in East Africa with a population of approximately 44.0 million. Kenya is a semi-presidential republic and the legislative power lies with the multi-party bicameral Parliament, which consists of a Senate and a National Assembly. Under the 2010 constitution, considerable powers are devolved to new country administrations. (*Source: U.S. CIA World Factbook—Kenya, August 2013; World Bank—Kenya, October 2013*).

In 2012, Kenya's GDP was $40.70 billion, representing a 4.6% increase from the previous year, while its gross national income per capita on a purchasing power parity basis was $1,730. The economy remains vulnerable to external shocks, as the current account deficit is around 10% of GDP. Additionally, the real exchange rate is 34% stronger than a decade ago, which has the impact of constraining economic competitiveness. (*Source: World Bank—Kenya, October 2013*).

Oil and gas industry in Kenya

Oil exploration in Kenya dates back to the 1950s, although it has been met with limited success until recently. The discovery in 2010 of offshore gas finds in Mozambique and Tanzania and onshore oil finds in Uganda attracted investors back to Kenya. Exploration is currently being conducted in four sedimentary basins, Lamu (onshore and offshore), Lokichar (Mandera), Anza and Tertiary Rift. As of January 1, 2013, Kenya does not produce or hold any proven hydrocarbon reserves. (*Source: U.S. Department of Energy, Energy Information Administration, "Emerging East Africa Energy"—May 2013).*

In 2012, we, in partnership with Africa Oil, made two oil discoveries in Kenya at Ngamia-1 in Block 10BB and Twiga South-1 in Block 13T in the onshore Lokichar Basin. The Ngamia-1 find exceeded our expectations and decreased the risk of pursuing other prospects in the southern part of the Lokichar Basin. Apache also discovered gas at the offshore Mbawa-1 well, but failed to find commercial quantities of natural gas or crude oil. (*Source: U.S. Department of Energy, Energy Information Administration, "Emerging East Africa Energy"—May 2013).* We have since made five further discoveries in the South Lokichar basin and we estimate our discovered resources are in excess of the commercial threshold for a development to production.

Although progress toward commercial development of hydrocarbon resources in Kenya so far has been modest, our recent discoveries have the potential to alter the prospects for the oil industry in Kenya. Additionally, the country plays a vital role in the region as an oil transit hub, since its neighbors depend on crude oil and petroleum products imported through Kenya's Mombasa Port. Kenya is planning to expand its hub role by increasing its midstream and downstream capacity. (*Source: U.S. Department of Energy, Energy Information Administration, "Emerging East Africa Energy"—May 2013).*

Ethiopia

General

A landlocked country on the Horn of Africa, Ethiopia has a population of approximately 93.9 million, which is largely rural-based. Ethiopia is a federal republic, in which the prime minister is the head of government. Legislative power is vested in a bicameral Parliament which consists of the House of Federation and the House of People's Representatives. (*Source: U.S. CIA World Factbook—Ethiopia, February 2014*).

Ethiopia's economy is primarily based on agriculture, which accounts for 46% of GDP and 85% of total employment. Coffee has historically been a major export crop. The banking, insurance, telecommunications and micro-credit industries are restricted to domestic investors, but Ethiopia has attracted foreign investment in textiles, leather, commercial agriculture and manufacturing. Ethiopia's five-year economic plan has achieved high single-digit growth rates through government-led infrastructure expansion and commercial agriculture development. (*Source: U.S. CIA World Factbook—Ethiopia, February 2014*). In 2012, Ethiopia's GDP was $41.61 billion which represents an 8.5% increase from the previous year. However, while GDP growth has remained high, per capita income on a purchasing power parity basis of $1,110 is among the lowest in the world. (*Source: World Bank—Ethiopia Overview, October 2013*).

Oil and gas industry in Ethiopia

The sedimentary regions of Ethiopia cover a significant portion of the country and comprise five distinct basins which form part of the East African Rift system. These basins are the Ogaden, Abay (Blue Nile), Mekele, Gambela and Southern Rift Basins. As of January 1, 2013, Ethiopia does not produce or hold any proven hydrocarbon reserves, although a number of exploration activities are taking place in the country, as the East Africa Rift Basin has proved prolific in Uganda and South Sudan. (*Source: Ministry of Mines of Ethiopia—"Petroleum Exploration in Ethiopia, Information and Opportunities").*

Two discoveries were made in Ethiopia in the 1970s, the Calub and Hilala gas-condensate fields. The Calub field and Hilala field have estimated respective reserves of 2.7 tcf and 1.3 tcf and are expected to undergo development soon. (*Sources: Ministry of Mines of Ethiopia—"Petroleum Exploration in Ethiopia, Information and Opportunities"*).

We, along with Africa Oil, New Age, Afren and Marathon, are the main oil and gas companies active in Ethiopia.

Europe

Norway

General

Situated in Northern Europe, Norway has a population of approximately 5.0 million, of which the majority live in urban areas. Norway is a constitutional monarchy. Legislative power is vested in a unicameral Parliament. Norway opted to not join the European Union during a referendum in November 1994 but is a member of the European Economic Area. *(Source: U.S. CIA World Factbook—Norway, February 2014).*

Norway has a prosperous mixed economy, with a vibrant private sector, a large state sector and an extensive social safety net. The government controls key areas through extensive regulation and large-scale state majority-owned enterprises. The country also has a large endowment of natural resources. It is highly dependent on the petroleum sector as it accounts for the largest portion of export revenue and a significant part of government revenue. In anticipation of eventual declines in oil and gas production, Norway saves state revenue from the petroleum sector in the world's second largest sovereign wealth fund, which was valued at over $700 billion in January 2013, and uses the fund's return to help finance public expenses. *(Source: U.S. CIA World Factbook—Norway, February 2014).* In 2012, Norway's GDP was $499.7 billion while gross national income per capita on a purchasing power parity basis was $66,960. (*Source: World Bank—Norway Overview, February 2014*).

Oil and gas industry in Norway

Norway has the largest oil and gas reserves in Western Europe. Its oil reserves are the third largest in Europe and Eurasia, after Russia and Kazakhstan. Its gas reserves are also the third largest in Europe and Eurasia, behind Russia and Turkmenistan. *(Source: BP Statistical Review of World Energy, June 2013.)* All of Norway's reserves are located offshore on the NCS. The NCS is divided into three sections, the North Sea, the Norwegian Sea and the Barents Sea. Currently, 78 fields are in production on the NCS. The bulk of production occurs in the North Sea, with smaller amounts in the Norwegian Sea and new exploration and production activity in the Barents Sea. *(Source: Norwegian Petroleum Directorate—Press Conference, January 15, 2014).*

Oil production peaked in 2001 and is expected to decline slowly thereafter. The Johan Sverdrup oil field is one of the five largest fields discovered on the NCS, with estimated recoverable contingent resources between 1.8 and 2.9 billion barrels of oil. Located 140 kilometers west of Stavanger in the North Sea, it is expected to start production in 2019 and the field lifetime is expected to be 50 years. At its peak production of 550,000-650,000 bopd, the field is anticipated to constitute approximately 25% of total production to the NCS. In September 2013, we made a play opening discovery at the Wisting Central well in the Hoop-Maud Basin in the Barents Sea. Furthermore in November 2013, Statoil announced an oil discovery in the Snilehorn prospect, approximately 15 kilometers northeast of the Njord field, with an estimated volume in the range of 55-100 million barrels of recoverable oil equivalent.

The following table sets forth Norway's oil and natural gas production and reserves.

	For the year ended December 31, 2012
Production in Norway	
Total oil production (bopd)	1,902,080
Crude oil production (bopd)	1,606,640
Natural gas production (bcf)	4,155

	As of January 1, 2013
Reserves in Norway	
Oil proved reserves (mmbbl)	5,370
Gas proved reserves (bcf)	73,100

Source: U.S. Department of Energy, Energy Information Administration, Country Analysis Briefs—Norway, May 2013

Statoil, which is 67% controlled by the Norwegian government, is the largest operator in Norway, controlling 80% of Norway's oil and gas production. Statoil and the Norwegian company Petoro together owned approximately 65% of remaining NCS reserves as of December 31, 2012. Integrated international oil companies held approximately 24%. The remaining reserves were held by European gas and power companies, approximately 6%, and medium and small-sized companies, approximately 5%. *(Source: Norwegian Petroleum Directorate, "Petroleum resources on the Norwegian Continental Shelf—2013, Exploration").*

Our business

In this Offering Memorandum, the words "we," "us," and "our" refer to Tullow Oil plc together with its subsidiaries on a consolidated basis, except where otherwise specified or clear from the context. ***The commercial reserves and contingent resources data presented in this section have been estimated at our request by ERCE in accordance with PRMS guidelines and definitions. Estimated commercial reserves and contingent resources presented herein may differ from estimates made in accordance with guidelines and definitions used by other companies in the industry or by the SEC. See "Presentation of financial and other information." Unless otherwise indicated, all production figures are presented on a net to our working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the relevant fields and license areas without deduction for the economic interest of our commercial partners, taxes or royalty interests or otherwise. Our legal interest and effective working interest in the relevant fields and license areas are separately disclosed. See "—Material agreements relating to our assets" for a more detailed discussion of the terms of the agreements governing our interests. Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk factors" and "Forward-looking statements."***

Unless otherwise indicated, all references to our interests in licenses, our acreage under license, commercial reserves, contingent resources, production and sales revenue include our Non-Core Assets, comprising U.K. and Dutch Southern North Sea and Pakistan assets, which we are planning to sell, and Bangladesh assets, which we sold in December 2013. For more information regarding the characteristics of and results attributable to the assets being sold, please see "Presentation of financial and other information—Sale of assets."

Overview

We are one of the world's leading independent oil and gas exploration and production companies, with a large and diversified portfolio of interests focused on Africa and the Atlantic Margins. Since our inception in 1985, we have grown both organically and through acquisitions and have operated or owned interests in oil and gas assets on four continents. We aim to build a business which has an unrivalled competitive position differentiated from our peers. We plan to do this by having a balanced yet diversified portfolio of high-impact exploration assets, selective developments and material production which delivers long-term sustainable value growth for all our stakeholders, while ensuring the safety of our people and minimizing environmental impacts.

Our initial operations consisted of oil and gas production in Senegal in the 1980s. During the 1990s and 2000s we expanded by acquiring companies, assets and interests in licenses in Europe, Africa, South America and Asia, transforming us into a more balanced oil and gas exploration and production company. Since 2006, our drilling exploration and appraisal campaigns have resulted in five basin-opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013). In 2007, we recorded our largest oil discovery in the Jubilee field offshore Ghana. Our development team, together with our partners, brought the field on stream in 40 months from discovery, adding significant new commercial reserves and establishing our deep water development and operatorship capabilities.

Our portfolio of over 150 licenses includes producing assets, near term development projects and high impact exploration opportunities in more than 20 countries organized into three geographic regions: West and North Africa, South and East Africa and Europe, South America and Asia. As of December 31, 2013, we had commercial reserves of 382.2 mmboe (of which 86% was oil) and aggregate commercial reserves and contingent resources of 1,409.0 mmboe (of which 75% was oil). For the year ended December 31, 2013, our production averaged 84,200 boepd, our sales revenue was $2.6 billion and our EBITDAX was $1.8 billion and, as of December 31, 2013, our net debt/Adjusted EBITDAX was 1.0x. For an explanation of EBITDAX, Adjusted EBITDAX and net debt/Adjusted EBITDAX, see "Summary historical financial data."

Our portfolio consists of producing assets in nine countries. Our West African light oil production portfolio generates the majority of our cash flow and, for the year ended December 31, 2013, represented approximately 77% of our average daily production (99.5% excluding production from the Non-Core Assets). Our largest producing asset is the Jubilee field offshore Ghana, which we operate on behalf of ourselves, Anadarko Petroleum, Kosmos Energy, PetroSA and the Ghana National Petroleum Corporation. For the year ended December 31, 2013, the Jubilee field contributed approximately 41% of our 84,200 boepd production (53% excluding production from the Non-Core Assets). Our other significant West African light oil production includes non-operated fields offshore Equatorial Guinea, Côte d'Ivoire, Mauritania, onshore Congo (Brazzaville) and offshore and onshore Gabon. Our future plans include developing to production several of our recent discoveries, including the TEN Project offshore Ghana, discoveries in the Lake Albert Rift Basin onshore Uganda and the South Lokichar Basin in Kenya. See "Production and development" for a description of these and our other development projects and the significant capital expenditure they will require.

We have exploration interests in more than 20 countries with acreage under license of approximately 320,000 square kilometers. In the seven years ended December 31, 2013, we drilled 218 exploration and appraisal wells, 73% of which were successful, and organically added approximately 200 mmboe on average per annum of oil and gas to our contingent resources, opening up new oil regions and adding assets for us to monetize via development, farm-downs or divestments. In the year ended December 31, 2013, we invested $1.1 billion in exploration and appraisal activities and drilled 57 exploration and appraisal wells, 65% of which were successful, discovered a new oil basin in Norway and added commercial reserves and contingent resources equivalent to more than 750% of our production during that year.

During 2014, we plan to continue our exploration and appraisal campaigns in the East Africa Rift Basin, East Africa Transform Margin, West Africa Transform Margin, the Guyanas Transform Margin, Norwegian Continental Shelf and the Central Atlantic Margins.

We actively manage our portfolio by seeking to realize value at appropriate points in the life cycle of an asset. In 2012, we farmed down two-thirds of our 100% interest in three blocks in Uganda to Total S.A. and the China National Offshore Oil Corporation Limited ("CNOOC"), monetizing 604 mmboe of contingent resources during the exploration and appraisal stage. We received a headline consideration of $2.9 billion in this partial sale, while retaining operatorship of one of the blocks. We are continuing discussions with potential participants regarding a partial farm-down of our 47.175% interest in the TEN Project in Ghana, which we operate, in return for a carry of future development costs. We also plan to sell our Non-Core Assets in the U.K. and Dutch Southern North Sea and Pakistan, and have sold our Non-Core Assets in Bangladesh, which collectively contributed approximately 18,900 boepd to our average production for the year ended December 31, 2013 (or 22% of our overall total).

Headquartered in London, we had 2,034 employees and contractors globally as of December 31, 2013, with over 50% working in our African operations. Our ordinary shares are quoted on the London, Irish and Ghanaian stock exchanges and we are a constituent of the FTSE 100 index. As of March 31, 2014, our market capitalization was approximately $11 billion.

Our strategy

Our vision is to be the leading global independent exploration and production company. We aim to do this through having a balanced yet diversified portfolio of high-impact exploration assets, selective developments and material production. We have a clear and consistent exploration-led growth strategy to achieve this, focused on finding light oil. We will fund the growth and development of our business by cash from operations, monetization of assets and access to debt and equity markets. We monetize our assets by farming-down or divesting at appropriate points in the life cycle or by developing our discoveries through to production.

Grow and develop our commercial reserves to provide strong, stable cash flows.

We intend to leverage our exploration and development success to grow our commercial reserves base and, where appropriate, bring on new production to provide strong, stable cash flows and further improve our financial flexibility. Over the past decade, we have increasingly shifted our production focus from gas to higher-margin oil. In 2007, we made a major discovery in the Jubilee field offshore Ghana and developed it on schedule, delivering first oil in November 2010. Further development has resulted in our commercial reserves attributable to our interest in the Jubilee field being 147.5 mmboe as of December 31, 2013.

In May 2013, we received Ghanaian government approval to develop the Tweneboa, Enyenra and Ntomme ("TEN") fields which we discovered in 2009 and 2010, our second major operated project offshore Ghana (the "TEN Project"). We are targeting first oil in 2016 and a gross production rate of 80,000 boepd, of which 37,740 boepd would represent our share prior to the planned farm-down. As of December 31, 2013 our commercial reserves attributable to the TEN fields were 112.2 mmboe, reflecting our 47.175% ownership in each of the fields prior to the planned farm-down.

In Uganda, together with Total S.A. and CNOOC, we have presented a joint development plan to the government, which is based on three main oil and gas processing centers delivering a combined oil production rate in excess of 200,000 bopd, of which 66,667 bopd would represent our share. We are targeting first oil in or after 2018, subject to obtaining government approval of the plan. As of December 31, 2013, our interests in Uganda accounted for 426.3 mmboe of our contingent resources, which we expect to begin to transfer to commercial reserves following approval of the joint development plan. In February 2014, a Memorandum of Understanding (MOU) defining the commercial framework for a development was signed between the government of Uganda, us, CNOOC and Total. The MOU envisages a development, consisting of a crude export pipeline from the Lake Albert Basin to the Kenyan coast, to be developed in parallel with a petroleum refinery with appropriate capacity to process expected regional production.

In addition, we maintain a large inventory of drilling opportunities and undeveloped acreage, which we expect will enable us to continue to maintain and grow our commercial reserves base. As of December 31, 2013, our commercial reserves were 382.2 and our aggregate commercial reserves and contingent resources were 1,409.0 mmboe.

Execute high-impact exploration and appraisal campaigns

We plan to build on our exploration and appraisal success in Ghana, Uganda, Kenya and Norway by continuing to explore for high-margin oil in conventional geological core plays where we have proven expertise—stratigraphic traps, rift basins, salt basins and carbonates. As a result of significantly increasing costs of deepwater exploration, we have recently focused our exploration and development activities on onshore and in shelf acreage, which should result in a higher percentage of lower cost wells being drilled in 2014 than in prior years. In 2014, we expect onshore wells and shelf wells will account for 60% of the total number of wells to be drilled. We manage exploration risk by running parallel exploration campaigns across a spread of frontier basins and countries. We have delivered approximately 200 mmboe on average per annum to our contingent resources in the seven years ended December 31, 2013, and continue to target this level of addition and intend to invest up to $1 billion annually in our exploration and appraisal activities. We have six exploration campaigns underway covering the East Africa Rift Basin, East Africa Transform Margin, West Africa Transform Margin, the Guyanas Transform Margin, Norwegian Continental Shelf and the Central Atlantic Margins.

We engage in carefully planned exploration and appraisal campaigns designed to drill out a license and quantify the associated contingent resources. For example, in the Deepwater Tano license offshore Ghana we made our first discovery in the Jubilee field in 2007, and followed that with the Tweneboa-1 exploration well in 2009 in the same license, discovering the Tweneboa accumulation approximately 25 kilometers from the Jubilee field. The drill-out of the license was completed in February 2013 after drilling 27 successful exploration and appraisal wells, a 79% success ratio. In Uganda, we had our first basin opening discovery near Lake Albert in 2006. We continue to appraise the area and to date have drilled 88 successful wells, a 90% success ratio, and have discovered approximately 1.5 billion boe gross contingent resources.

Following our exploration success in Uganda’s Lake Albert Rift Basin, we extended our exploration acreage into the prospective East Africa Rift Basins of Kenya and Ethiopia, located approximately 500 kilometers to the east of Lake Albert. We operate five onshore blocks in Kenya, with a 50% to 65% equity interest covering approximately 65,000 square kilometers.

Since the expansion of our East African Rift Basin exploration program into the Tertiary Rift Basin of Kenya, we have made excellent progress with seven discoveries out of the first seven exploration wells drilled. A significant exploration and appraisal program is planned during 2014 and 2015 for not only the South Lokichar basin but also for a further six separate Tertiary Rift Basins across our Kenyan acreage.

Monetize value throughout the life cycle of assets through portfolio management

Portfolio management is an integral part of our exploration, development and production strategy through which we seek to realize value at an appropriate point in the life cycle of an asset.

We continually review technical and competitive data as we replenish and high grade our portfolio of exploration prospects. We focus on prospects with development potential which we believe we are well positioned to realize due to our extensive regional knowledge and experience and we search for opportunities to achieve economies of scale to increase operational efficiencies. Our large and diversified portfolio of over 150 licenses means that we can be selective when choosing which prospects to drill. Historically, we have drilled approximately 10% of our most promising prospects each year, a rate that we expect to maintain.

Once a discovery is made, we may choose to sell or farm-down our interests, as we did in Uganda where we farmed-down two-thirds of our 100% interest in three blocks at the exploration and appraisal stage to Total S.A. and CNOOC for a headline consideration of $2.9 billion. Partial sales or farm-downs enable us to monetize value early in a field’s life cycle and de-risk our interests by reducing our exposure to an asset and the associated development and other costs.

We have the ability to develop selected core assets to realize cash flow from production as we did with the Jubilee field, but also consider whether to farm-down or otherwise divest all or part of a development asset to generate cash to reinvest in the business or to finance development costs. For example, we plan to farm-down part of our interest in the TEN Project in Ghana in return for a carry of development costs. We anticipate that this will enable us to manage our exposure to the development costs while retaining a material interest and operatorship of the expected high-margin oil production.

We also regularly evaluate our production portfolio to identify non-core assets for disposal to enable us to focus our resources and capital on higher margin production. For example, in 2008, we disposed of our interests in the Hewett gas field and Bacton plant in the United Kingdom for £207.8 million and in December 2013 we completed the sale of our Bangladesh assets to KrisEnergy Asia Holdings B.V. for $41.4 million. We plan to sell the remaining Non-Core Assets, comprising U.K. and Dutch Southern North Sea assets and Pakistan assets.

Additionally, we intend to continue to pursue selective acquisition opportunities that fit our exploration-led core competencies and value-creation objectives. Our ability to execute both transformational and bolt-on acquisitions is demonstrated by a successful track record, including Energy Africa in 2004, Hardman Resources in 2007 and more recently Spring Energy in 2013.

Maintain a disciplined approach to financial management

We strive to maintain a conservative financial profile and strong balance sheet with ample liquidity. Our funding sources include operating cash flow, debt, equity and proceeds of portfolio management activities. Typically, we fund exploration activities from production cash flows and equity and development activities from a combination of production cash flows, debt and proceeds of portfolio management activities such as farm-downs or sales. During the last three years, our cash flow was sufficient to fund all of our exploration and appraisal activities.

We believe we prudently use debt financing and intend to maintain what we consider to be appropriate leverage levels. Prior to the Issue Date, we expect to have $4.6 billion of commitments from commercial banks: $3.5 billion under our RBL Facilities with availability determined by reference to a commercial reserves borrowing base, $750 million under our Corporate Facility with availability determined by reference to the volume of our contingent resources and approximately $327 million under our Norwegian Facility. The RBL Facilities were refinanced in November 2012 for a seven-year term and the commitments are non-amortizing for four years from the refinancing date. The syndicate for the RBL Facilities includes 26 international commercial banks and the International Finance Corporation (the "IFC"). We expect to refinance our Corporate Facility prior to the Issue Date and increase the facility size by $250 million to $750 million. We are currently in discussions to refinance our Norwegian Facility which we expect to complete in the second quarter of 2014. In November 2013, we further diversified our funding sources by issuing the 2020 Senior Notes.

In addition, we use derivative financial instruments to limit our exposure to fluctuations in oil and gas prices, currency exchange rates and interest rates. We have an active commodity hedge program through which we hedge our sales volumes on a graduated three-year rolling basis.

We closely monitor liquidity risk through cash flow forecasts and sensitivity analyses. We manage our 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. We maintain insurance that we believe is consistent with customary industry practices in the jurisdictions in which we do business and also procure business interruption insurance to protect against loss of production from our material assets.

Our strengths

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

Large asset base diversified across production, development and exploration

We have a growing portfolio of exploration, development and production interests in attractive geographies and known geologies with a focus on Africa and the Atlantic Margins.

By focusing our activities in these core areas, we capitalize on the regional expertise we have developed over several decades in interpreting specific geological and operational trends and stablish economies of scale with respect to drilling, production, operating and administrative costs. In total, we hold exploration, development and production interests in over 150 licenses across more than 20 countries. We believe the quality, scale and diversification of our portfolio provides a solid foundation for sustainable growth and risk mitigation. Our activities include:

Production: Our largest producing asset is the Jubile field offshore Ghana. In the year ended December 31, 2013, the field's gross production averaged approximately 97,500 bopd, of which 4,600 bopd represented our share. We also generated significant production from our assets Located in 9 other countries, which collectively accounted for approximately 59% of our production in the year ended December 31, 2013 (47% excluding production from the Non-Core Assets).

Development: We have a number of near-term development opportunities, including the next phases of the Jubilee field, as well as the TEN Project, offshore Ghana, where we received government approval of our development plan in May

2013 and are targeting first oil in 2016; the Lake Albert Rift Basin development in Uganda; oil production from the South Lokichar Basin in Kenya; and two smaller gas-to-power projects, Banda in Mauritania and Kudu in Namibia.

Exploration and Appraisal: We have exploration interests in more than 20 countries with acreage under license of approximately 320,000 square kilometers. These interests include acreage in frontier areas, including French Guiana and Suriname in South America, the Barents Sea offshore Norway, Mauritania, Mozambique, Kenya and Ethiopia in Africa. In Kenya and Ethiopia, our interests include more than ten rift basins with similar characteristics to the Lake Albert Rift Basin in Uganda.

Strong cash generation through high-margin production and portfolio management

Our West African light oil production portfolio generates strong cash flow and, for the year ended December 31, 2013, represented approximately 77% of our average daily production (99.5% excluding production from the Non-Core Assets). In Ghana, working closely with our commercial partners, we successfully developed the world-class Jubilee field from discovery in 2007 to production in 40 months, with first oil in November 2010. Gross field production from Jubilee has grown from an average of 72,000 bopd for the year ended December 31, 2012 to approximately 97,500 bopd for the year ended December 31, 2013, of which 34,600 bopd represented our share. We also seek to invest in our other core producing assets to maintain production levels and extend field life, carrying out infill drilling campaigns and identifying operating efficiencies.

Due to the light oil-focused nature of our production and control of operating costs, we have historically achieved attractive cash margins through high-margin sales and low production, transportation and processing costs. For the year ended December 31, 2013, the average realized price per bbl post hedging from our oil production was $105.7 and the average realized price per therm on gas production post hedging was 65.6 pence ($10.26 per mscf).

Over the same period, our operating cash flow per boe (including gas production) averaged approximately $59.8.

We have a strong track record of generating cash through portfolio management activities by selectively developing, farming-down or divesting our assets. In 2008, we disposed of our interests in the Hewett gas field and associated infrastructure for £207.8 million. In 2012, we monetized 604 mmboe from our interests in Ugandan contingent resources through completion of a partial farm-down of three blocks in the Lake Albert Rift Basin to Total S.A. and CNOOC for a headline consideration of $2.9 billion. More recently, in December 2013, we completed the sale of our Bangladesh assets to KrisEnergy Asia Holdings B.V. for $41.4 million.

We plan to sell certain other Non-Core Assets, comprising U.K. and Dutch Southern North Sea assets and our Pakistan assets.

Proven track record of exploration and appraisal success

Much of our growth has been driven by our exploration campaigns, which focus on finding light oil in commercial quantities in conventional geological formations. We focus our exploration activities in the regions and geological plays—giant stratigraphic traps, such as Ghana, French Guiana and Mauritania, oil-prone rift basins, such as Uganda, Kenya, Ethiopia and Madagascar and prolific salt basins, such as Mauritania, the U.K., Netherlands and Gabon,

and carbonates in Mauritania—in which we have significant experience and operating expertise. Since 2006, our efforts have resulted in five major basin-opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013).

During the seven years ended December 31, 2013, we invested approximately $5 billion in exploration and appraisal activities. These efforts have resulted in the addition of approximately 200 mmboe on average per annum boe of oil and gas to our contingent resources and opened up new opportunities for us to develop, farm-down or divest, realizing value over time or more immediately. During the seven years ended December 31, 2013, we recorded 160 successes from 218 exploration and appraisal wells, a 73% overall success ratio. We believe our approach to exploration and appraisal and our regional experience and expertise in our core plays provides us with a key competitive advantage.

Operator status and material equity position provides significant influence over assets

We generally prefer to enter into exploration and appraisal licenses as the operator, with a material equity position that represents a balance between the risks, associated costs and potential value of exploring in frontier areas. This approach enables us to set up tailored operations and control exploration strategies which leverage our significant expertise and proven track record. A material equity position also enables us to influence partners and gives us the opportunity to farm-down our interests in the appraisal or development stage of the asset life cycle while still maintaining a significant interest. If we choose to retain and develop an asset, we evaluate whether to bring in strategic partners for the development phase. This allows us to share the costs and risks, benefit from their specific areas of expertise and realize value from our previous efforts, which can include reimbursements for past costs, carries of our on-going costs or bonuses for future successes.

With respect to our interests in Ugandan licenses, we increased our equity in the three blocks during the early part of the exploration and appraisal stage to 100% to enhance control and optimize the commercial structure. Later in the exploration and appraisal phase, we farmed down two-thirds of this interest and we retained operatorship in one of the blocks. In other cases, such as with the Jubilee field, we chose to remain as an operator throughout the development and production phases. Our operatorship on the Jubilee field enabled us to build a significant presence in the country, upgrading the infrastructure, developing onshore support for the offshore operations and staffing the technical teams required. We expect that our existing Ghana operations will result in significant economies of scale with the TEN Project coming on stream. We believe that the material equity interest we have in the TEN Project (47.175%) will allow us to farm-down our interest, while maintaining operatorship and a significant production interest. We hold material equity positions in many of our exploration licenses, such as in Kenya (50-65%), Ethiopia (50%) and Mauritania (66%), where we are the operator in each, enabling us to control the exploration and appraisal campaigns on these licenses.

Strong, longstanding relationships with host countries

We have been active in Africa since acquiring our first interests in Senegal in 1986. In 2004, we acquired Energy Africa, marking the start of a multi-billion dollar investment in acquiring, appraising and developing oil and gas fields in Africa. We believe that our successful track record in our host countries, as a transparent, socially responsible operator with a goal of creating shared prosperity, means that we enjoy good working relationships and a strong reputation with local communities, governments and regulators. We believe our reputation provides a competitive advantage when entering new countries in Africa and in bidding for newly available interests in licenses.

Our approach to doing business is based on the concept of “Creating Shared Prosperity.” The foundation of this approach is to be a successful and profitable company, which enables us to meet our obligations to governments, employees and suppliers, and to generate returns for shareholders and providers of finance for our business. It also means providing opportunities for local businesses to enter our supply chains, employing local people, managing our social, environmental, health and safety impacts effectively and promoting good governance. These factors are directly linked to the success of our business, and are critical to ensuring our long-term acceptance in each country of operation.

We seek to train and hire employees who are nationals of the countries in which we operate. As of December 31, 2013, we had a total global workforce of 2,034 employees and contractors, over 50% of whom work in our African operations. In total, 85% of our employees in African countries where we operate are local nationals.

We strive to communicate openly and operate transparently and to demonstrate accountability and strong ethics, which we foster through a robust code of business conduct and compliance training. Consistent with our commitment to revenue transparency and accountability, we began publishing details of our financial payments to national governments in 2012. In our 2013 Annual Report, we published our payments in line with the EU Accounting Directive, and we also made a number of voluntary disclosures over and above the Directive, and by doing so we believe we are taking a leadership position on this important issue.

In the year ended December 31, 2013, our payments to governments, including payments in kind and taxes, totaled $870 million, and our estimated payments to all major stakeholders, including employees, shareholders, suppliers and communities brought our estimated socioeconomic contribution to $1.6 billion for the year, compared with $696 million and $1.3 billion for the year ended December 31, 2012, respectively (including in the United Kingdom). As part of our social impact management, we primarily invest in projects aimed at improving education, local content and capacity building. In the year ended December 31, 2013, we invested approximately $17.4 million in discretionary social projects. This included granting more than 100 international scholarships in oil and gas related studies for students from the countries where we do business.

Of the estimated $1.6 billion socio-economic contribution in the year ended December 31, 2013, $217.0 million was spent with companies that are owned by local nationals, compared with $145.4 million spent in the year ended December 31, 2012. Our supply chain creates opportunities for local companies and labor forces to participate in the oil and gas sector, both directly and indirectly, and helps to align our social investment strategy with the economic development and local capacity needs of the host country.

Robust approach to safe and efficient operations

We actively manage the safety of all personnel working in our operations, including through the application of health and safety standards, the implementation of security measures at our facilities and audits of health and safety risks. We manage our EHS performance by measuring leading and lagging indicators in an EHS scorecard which is set annually by our board of directors. One of the performance measures we track is the recognized industry metric lost time injury frequency ("LTIF"). We monitor our injury rates and benchmark them against industry averages published by the International Oil and Gas Producers Association ("OGP").

Our LTIF was 0.8 in 2013 (0.7 in 2012) calculated per million man hours worked. In 2013, there were 17 lost-time incidents during 21.1 million man hours worked. Because this metric worsened in 2013, we have made strengthening our performance in this area a major focus for 2014 and are endeavoring to achieve a 20% reduction in our LTIF compared to 2013.

In addition, we are focused on protecting the environment for current and future generations. We take seriously our responsibility to manage our impact on the environment and strive to uphold international EHS standards, including the IFC's performance standards, which are viewed as the benchmark for sustainable environmental and social management of major development projects. The IFC, as a lender under our RBL Facilities, plays an active role in monitoring our EHS activities in Ghana. In addition, we look to establish strategic biodiversity partnerships, as demonstrated by our work with the Wildlife Conservation Society, which is surveying the coastal and offshore waters of Congo, Gabon and Equatorial Guinea to build a better understanding of the environment in which we carry out our operations.

Disciplined capital management and conservative financial profile

We believe we maintain a prudent financial profile and strong balance sheet aligned with our conservative financial strategy. As of December 31, 2013, on a pro forma basis after giving effect to the Refinancing, we had net debt of $1.9 billion and the ability to draw an additional aggregate $3.0 billion under our RBL Facilities and Corporate Facility.

As of December 31, 2013, we had total assets of $11.5 billion. For the year ended December 31, 2013, our sales revenue was $2.6 billion, our EBITDAX was $1.8 billion, our Adjusted EBITDAX/finance costs was 20.8x and our net debt/Adjusted EBITDAX was 1.0x. Historically, our net debt to Adjusted EBITDAX ratio was 1.5x as of December 31, 2011 and 0.6x as of December 31, 2012.

We have a strong track record of raising capital from both debt and equity capital markets and commercial banks. We believe that our ability to repeatedly access financial markets, particularly during difficult macroeconomic periods and market environments, reflects the strong relationships we have built over a number of years with both equity and debt investors, as well as our conservative financial management, strong and diversified asset base and prudent use and management of leverage.

Stable management team with decades of industry experience

Our senior management team has significant oil and gas experience, both collectively and individually, and a strong track record of delivering growth based on identifying organic and acquisition opportunities. Aidan Heavey, our chief executive officer, founded Tullow Oil in 1985 and is currently the longest-serving CEO in the FTSE 100. The executive directors on our board of directors have extensive oil and gas knowledge and together have more than 130 years of industry experience. Angus McCoss, our exploration director, is a geologist with a PhD in structural geology, with more than 25 years of industry experience. Prior to joining Tullow in 2006, he had 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Our chief financial officer, Ian Springett, is a chartered accountant who, before joining us in 2008, gained international oil and gas experience working at BP for 23 years. Our chief operating officer, Paul McDade, is an engineer with more than 25 years of experience. Before joining Tullow in 2001, he worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. Graham Martin, our company secretary, is a U.K. solicitor and joined us in 1997 from a leading international law firm and has over 30 years of experience working on U.K. and international corporate and energy transactions.

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

Recent developments

Other non-core assets for sale

We announced in 2013 that we intend to sell our businesses in the U.K. and Dutch Southern North Sea gas basin and this process is continuing. We have restructured our strategy to facilitate the sale of parts of each business. We believe this approach will appeal to a wider range of prospective buyers, which we expect will help ensure we receive appropriate value from assets that are performing well with strong cash flows.

For the year ended December 31, 2013, these assets represented 14,500 boepd (or 17%) of our production, and as of December 31, 2013 constituted 25.9 mmboe (or 6.8%) of our commercial reserves and 28.1 mmboe (or 2.7%) of our contingent resources. For more detailed information regarding how these assets affected our production and sales revenue for the years ended December 31, 2012 and 2013 and our commercial reserves and contingent resources attributable to these assets as of December 31, 2012 and 2013, see "Presentation of financial and other information—Sale of assets."

Exploration results

During 2014, we announced the Amosing-1 and Ewoi-1 oil discoveries, our sixth and seventh successful wild-cat exploration wells in the South Lokichar Basin in Kenya. These discoveries further support our plan to assess the overall potential for the basin through a program of approximately 18 exploration and appraisal wells during 2014 and 2015.

We also announced that the Emong-1 exploration well in Block 13T in Kenya, which tested a structure directly across the main basin bounding fault, which is juxtaposed against the material oil accumulation discovered by the Ngamia-1 well, encountered poorly developed oil bearing reservoir sands. The result suggests that the main basin bounding fault controls the distribution of reservoirs in this area and has no impact on the potential of the Ngamia oil accumulation.

We also announced that the Etuko-2 well in Block 10BB in Kenya, which was designed to evaluate a very shallow reservoir zone penetrated in Etuko-1, but which could not be properly logged due to the wide gauge of the original well, flowed water with oil shows.

We also announced that the Fregate-1 well offshore Mauritania had discovered up to 30 meters of net gas condensate and oil accumulation and has been plugged and abandoned.

In line with our normal practice and successful efforts accounting, the cost of some of these wells will be considered for possible write-off during our half year financial reporting process.

Our history

Aidan Heavey, our chief executive officer, founded Tullow Oil in 1985. Our initial public offering occurred on the Third Market of the Irish Stock Exchange in 1988 and in 1989 the company listed on the Unlisted Securities Market in London and Dublin. This was followed by admission to the Official List in Dublin and London in 1994. Since 2000, our main listing has been on the London Stock Exchange, where our shares are quoted on the main market and we are a constituent company of the FTSE 100 index. In 2011, we established a secondary share listing on the Ghana Stock Exchange.

Since our inception in 1985, we have grown both organically and through acquisitions. Our initial operations consisted of oil and gas production and sales in Senegal in the 1980s and, during the 1990s, we expanded by acquiring license interests through both company and asset acquisitions in the United Kingdom, Bangladesh, Cote D'Ivoire and Pakistan. Our first major transition as a company began in 2000, with the £201 million acquisition of producing gas fields and related infrastructure in the United Kingdom. We followed this acquisition in 2004 with our purchase of Energy Africa Limited, with its extensive portfolio of oil assets across Africa, and our purchase of the U.K. Schooner and Ketch gas producing assets. These acquisitions transformed us into a more balanced oil and gas exploration and production company with critical mass in both Africa and the United Kingdom.

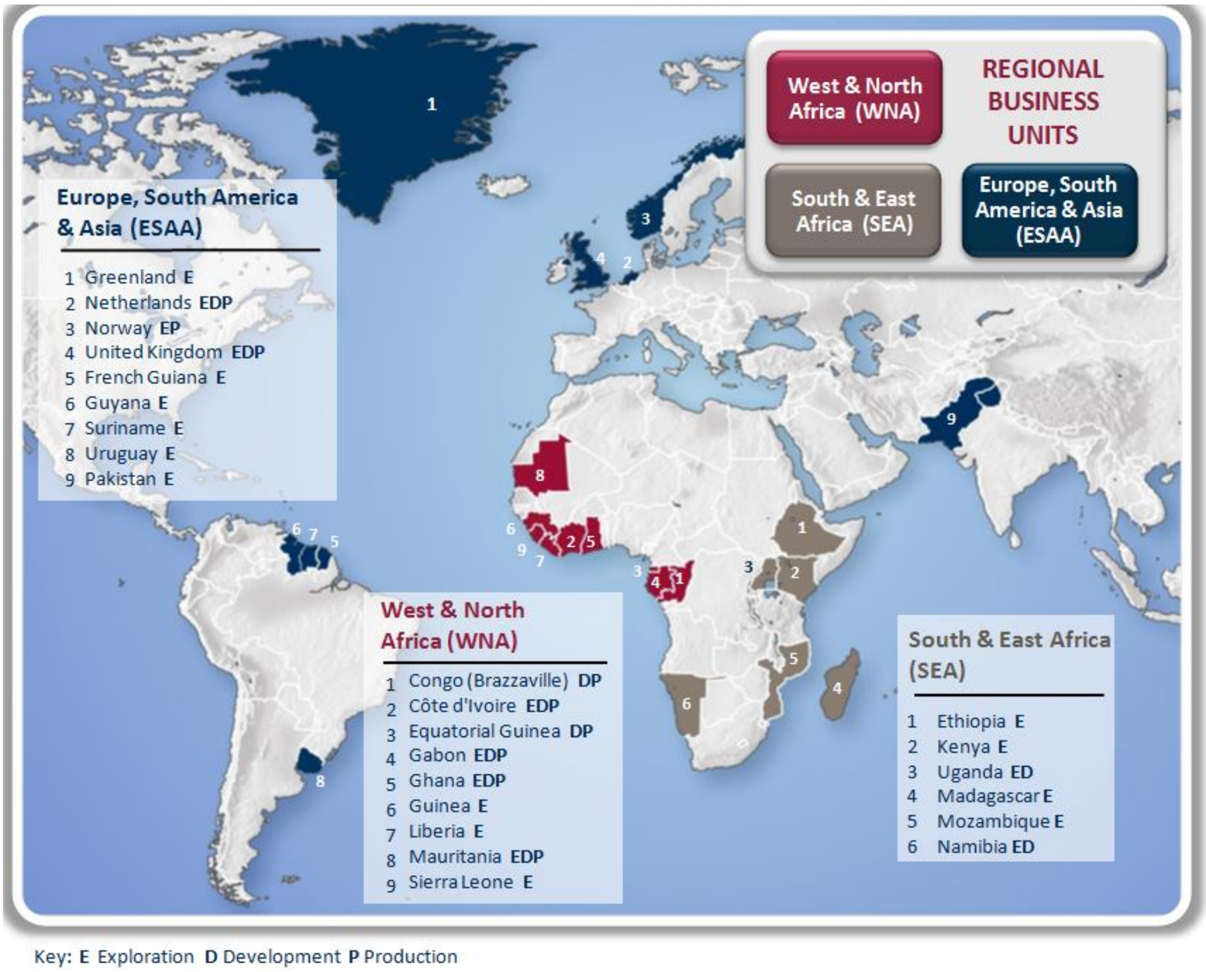
In 2007, we recorded our largest oil discovery in the Jubilee field offshore Ghana and completed our $1.1 billion acquisition of Hardman Resources Limited, an Australian-based upstream operator with a significant African and South American footprint. Since 2006, our focused exploration and appraisal campaigns have resulted in five basin-opening discoveries in Uganda (2006), Ghana (2007), French Guiana (2011), Kenya (2012) and Norway (2013). During the period, our development team together with our commercial partners brought on stream the world-class Jubilee field, offshore Ghana, taking just 40 months from discovery in 2007 until first oil in November 2010, establishing our deep water development and operatorship capabilities.

One of our main areas of focus and exploration and appraisal success is the East African Rift Basin. Since acquiring our interests in Uganda through the acquisition of Energy Africa in 2004, we have drilled over 95 wells, discovered approximately 1.5 billion barrels gross of oil and gas and steadily increased our exposure to the basin through a series of acquisitions (including through our purchase of Hardman Resources Limited) and farm ins. Consistent with our portfolio management strategy, we elected to monetize this asset during the appraisal phase. In February 2012, we completed a farm down of two thirds of our interests to Total S.A. and CNOOC for a headline consideration of $2.9 billion. In Kenya, we have had further success in the Tertiary Rift Basin having drilled seven successful exploration wells since 2012.

Overview of our assets

We have a diversified portfolio of over 150 interests in licenses, consisting of oil, natural gas and natural gas liquid production licenses and assets at various stages from near-term development to high-impact, frontier exploration, across more than 20 countries, with a focus on Africa and the Atlantic Margins. Our portfolio consisted of producing fields in ten countries, and we had an average working interest production of 84,200 boepd in 2013.

The following map sets forth the countries in which we do business.



Key: **E** Exploration **D** Development **P** Production

Summary of historical reserves, resources and operating data

We retain ERCE as our independent reserve engineer for audit purposes and in connection with our RBL Facilities and Corporate Facility. The commercial reserves and contingent resources classifications used are as defined by the March 2007 PRMS.

Typical to the industry in which we operate, there are a number of uncertainties inherent in estimating quantities of commercial reserves. Therefore, the reserve information in the ERCE Reports represents only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of a number of variable factors and assumptions, many of which are beyond our control, including the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of reserves estimates, the initial reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The significance of such estimates depends primarily on the accuracy of the assumptions upon which they were based. For a summary of certain assumptions used in the ERCE Reports, see "Presentation of financial and other information—Hydrocarbon data—Presentation in ERCE Reports." Thus, you should not place undue reliance on the ability of the commercial reserves reports prepared by ERCE to predict actual reserves or on comparisons of similar reports concerning companies established in other economic systems. In addition, except to the extent that we acquire additional properties containing commercial reserves or conduct successful exploration and development activities, or both, our commercial reserves will decline as reserves are produced. The following reserve information should be read along with the section entitled “Risk factors—Risks relating to the oil and gas industry.”

Potential investors should note that the ERCE Reports have not estimated commercial reserves under the standards of reserves measurement applied by the SEC (the “**SEC basis**”) for any of the relevant periods reviewed in the Offering Memorandum, or otherwise. The SEC basis differs from PRMS. See “Presentation of financial and other information.”

We report our commercial reserves and contingent resources. Commercial reserves are defined as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations (“proven reserves”), plus those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proven reserves but more certain to be recovered than possible reserves (“probable reserves”). See “Presentation of financial and other information—Hydrocarbon data.”

The following tables present our summary of oil and gas commercial reserves and contingent resources. The reserves estimates presented in the tables are derived entirely from the ERCE Reports. The contingent resources estimates presented in the tables are derived principally from the ERCE Reports, except for certain discoveries offshore Mauritania which were not covered by the ERCE Reports and where we have included management estimates. For each reporting date noted in the tables below, the percentage of total contingent resources covered by the corresponding ERCE Report exceeds 95%, save for the ERCE Report of December 31, 2011, for which date the percentage of total contingent resources covered by such ERCE Report is 87%. ERCE has carried out a due diligence review of management estimates of contingent resources for the discoveries offshore Mauritania and has advised that the total contingent resources presented in the Offering Memorandum are fair and reasonable estimates. Reserves estimates for each field are reviewed by ERCE based on significant new data or a material change with a review of each field undertaken at least every two years.

	As of December 31, 2013											
	West & North Africa			South & East Africa			Europe, South America & Asia			Total		
Resource	**Oil (mmbbl)**	**Gas (bcf)**	**Total (mmboe)**	**Oil (mmbbl)**	**Gas (bcf)**	**Total (mmboe)**	**Oil (mmbbl)**	**Gas (bcf)**	**Total (mmboe)**	**Oil (mmbbl)**	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves	326.3[1]	175.7	355.6	—	—	—	0.9	154.4	26.7	327.2	330.0	382.2
Contingent Resources	105.6	1,228.7	310.3	519.5	363.0	580.0	108.2[2]	169.2[3]	136.4	733.3	1,760.8	1,026.8
Total	**431.8**	**1,404.3**	**665.9**	**519.5**	**363.0**	**580.0**	**109.1**	**323.6**	**163.1**	**1,060.5**	**2,090.9**	**1,409.0**

Source: ERCE Reports and management estimates

(1) Tsiengue and Obangue fields in Gabon contributed 1.3mmbbls to Commercial Reserves as of December 31, 2013. These licenses were relinquished in the first quarter of 2014.

(2) The Zaedyus discoveries in French Guiana contributed 36.6mmbbls to Contingent Resources as of December 31, 2013. These resource bookings are currently under review and a downward revision is expected.

(3) The Schooner field in the United Kingdom contributed 57.4bcf to Contingent Resources as of December 31, 2013. These resource bookings are currently under review and a downward revision is expected.

The following table sets forth certain information with respect to our commercial reserves and contingent resources as of the years ended December 31, 2011, 2012 and 2013.

	As of December 31,		
	2011	**2012**	**2013**
Commercial Reserves (2P):			
Oil (mmbbl)	244.0	341.0	327.2
Gas (bcf)	321.7	282.3	330.0
Total (mmboe)	**297.6**	**388.0**	**382.2**
Percent oil	82%	88%	86%

Reserve life (years)	10.4	13.4	12.3
Contingent Resources (2C):			
Oil (mmbbl)	1,127.6	495.3	733.3
Gas (bcf)	1,904.7	1,916.7	1,760.8
Total (mmboe)	**1,445.2**	**814.8**	**1,026.8**
Percent oil	78%	61%	71%
Total Commercial Reserves and Contingent Resources:			
Oil (mmbbl)	1,371.6	836.3	1,060.5
Gas (bcf)	2,226.4	2,199.1	2,090.9
Total (mmboe)	**1,742.8**	**1,202.8**	**1,409.0**
Percent oil	79%	70%	75%

Source: ERCE Reports and management estimates

Internal Controls over Reserves Estimates

Our policy regarding internal controls over the recording of reserves is structured to objectively and accurately estimate our oil and gas reserve quantities and values in compliance with March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System (PRMS). These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. Our petroleum engineering department under the leadership of the chief petroleum engineer maintains oversight and compliance responsibility for the internal reserve estimate process and provides appropriate data to our independent auditors, ERCE, for the annual estimation of our year-end reserves. Our petroleum engineering department consists of a subsurface leadership team of 10 engineering and geoscience professionals, each with over 20 years of industry experience and each of which is a full member of a relevant professional body.

Commercial reserves are estimated using standard recognized evaluation techniques. The estimates for each asset are reviewed by ERCE on a rolling basis at a minimum of every two years or more frequently upon the occurrence of a material change. ERCE completes a quarterly short form report summarizing currently held audited reserves for each asset. When an audit is completed on a single asset, a long form report containing in-depth technical data is also produced. Future development costs are estimated taking into account the level of development required to produce the commercial reserves. ERCE provides us with technical profiles and we then carry out economic modeling to determine economic cut-offs of profiles. These models are provided to ERCE, which then reports commercial reserve figures.

Qualifications of third-party engineers

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

Production and development

We have interests in producing oil and gas assets in nine countries. The majority of our 84,200 boepd average working interest production in 2013 was generated in West Africa with additional production coming from North Africa, the United Kingdom, the Netherlands and South Asia. As part of our exploration-led strategy and our focus on material production assets, we are in the process of disposing of our assets in the United Kingdom, the Netherlands and South Asia, which we expect will generate immediate returns and free up capital for selective developments and high-impact exploration activities.

We have key producing assets in six countries in Africa, including the world-class Jubilee field in Ghana, which we operate. Our production profile has allowed us to develop a strong, stable cash flow and improve our financial flexibility to invest in long-term exploration campaigns and selective development projects. In recent years we have enhanced our capability as an operator to deliver major development projects, which has allowed us to significantly increase our internal technical, project execution and operating expertise.

Since 2010, we have been producing oil from the Jubilee field located in the Deepwater Tano and West Cape Three Points blocks, offshore Ghana, and generated average gross production for the year ended December 31, 2013 of approximately 97,500 bopd, of which 34,600 bopd would represent our share. As a result of a remediation program, which successfully addressed productivity issues we encountered on the wells in the first phase of the development and the addition of further wells in the second phase of the development, we exited 2013 with a gross production rate of approximately 100,000 bopd.

The following table provides a summary of our production portfolio.

Country	Asset	Our Working Interest	Fiscal Regime	Production for the year ended December 31, 2013 (boepd)	Expiration/ Status
West & North Africa					
Congo (Brazzaville)...........	M'Boundi	11%	PSC(1)	2,600	2020+
Côte d'Ivoire......................	Espoir	21.33%	PSC	3,500	2025+
Equatorial Guinea	Ceiba	14.25%	PSC	3,500	2025+
	Okume Complex	14.25%	PSC	6,200	2030+
Gabon.................................	Tchatamba	25%	PSC	3,300	2030+
	Niungo	40%	Tax(2)	1,800	2030+
	Etame Complex(3)	7.50%	PSC	1,300	2020+
	Others(4)	Various	Various(5)	6,900	2025+
Ghana.................................	Jubilee	35.48%	PA(6)	34,600	2035+
Mauritania..........................	Chinguetti	22.26%	PSC	1,300	2030+
Sub Total............................				65,000	
Europe, South America & Asia					
The Netherlands(7)..............	Various	4.1-22.5%	Tax	5,300	2015+
Norway	Brage	2.5%	Tax	300	2030+
United Kingdom(7)	CMS Area(9)	6.91%-100%	Tax	8,900	2015+
	Thames Area	50-87%	Tax	300	2015+
Sub Total............................				14,800	
Bangladesh(8)......................	Bangora	N/A	N/A	4,400	N/A
Sub Total............................				4,400	
Total..................................				84,200	

(1) Under a production sharing contract, the host government takes a share of production determined by the relevant cost recovery mechanism in the contract.

(2) Under a corporate tax regime or a concessionary system, the license holders pay income taxes from profits to the host government.

(3) Includes the Etame, Avouma and Ebouri fields.

(4) Includes production from nine other producing fields in Gabon.

(5) PSCs and Tax.

(6) Means petroleum agreement. For a description of petroleum agreements in Ghana, see "Certain regulatory regimes—Ghana—Tax regime."

(7) Included in Non-Core Assets.

(8) Included in Non-Core Assets. We completed the sale of our Bangladesh assets in December 2013.

(9) CMS Area production includes U.K. condensate production.

The following table sets forth certain information with respect to our production volumes and realized pricing (which reflects the impact of derivatives) for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
	2011	**2012**	**2013**
Production/Sales:			
Working interest production (mmboe)..	28.5	29.0	31.0
Sales volume (mmboe)	24.4	24.9	27.1
Average realized oil price ($/boe)...	108.0	108.0	105.7

Average realized gas price (pence/therm)	57.0	58.5	65.6
Operating Costs ($/boe)	13.5	14.6	16.5

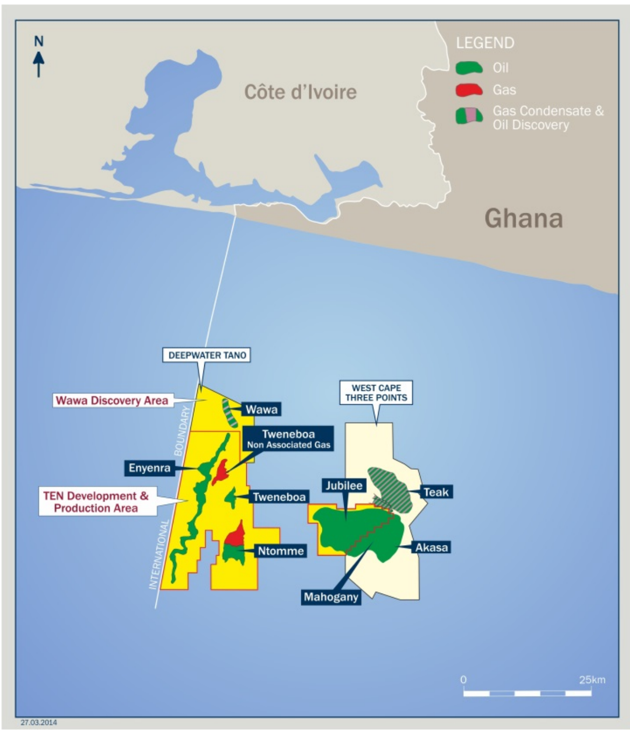
Our goal is to maintain a stable base of high-quality, high-margin and long-life producing assets that deliver a strong operating cash flow. We aim to operate these assets in a cost-effective manner and identify opportunities to sustain or grow production. In furtherance of this strategy, we do not emphasize long-term production targets. This approach gives us flexibility to realize the value of our assets at any time during the development or production stage. Although we believe we have significant potential for production growth across our portfolio from our established operations in West Africa and from our new discoveries in East Africa and the Atlantic Margins, we continue to evaluate alternative opportunities. In accordance with this strategy, we completed the sale of our Bangladesh assets in December 2013 and are in the final stages of divesting our non-core Pakistan assets and plan to divest our non-core U.K. and Dutch Southern North Sea assets, all of which collectively contributed approximately 17% (14,500 boepd) to our production in the year ended December 31, 2013. See "—Recent developments—disposals."

We continue to build on our development and operational capability as we further develop the Jubilee field and contribute to the development of the oil and gas support infrastructure in Ghana. To ensure that we benefit from the experience from these projects on future operations, we have a comprehensive system of reviews led by our development and operations team and senior management. For example, our experience addressing productivity issues encountered during the first phase of the Jubilee field development enabled us to anticipate and prevent similar issues during the second phase of the development. We expect that our planned operated development activities, which include the TEN Project in Ghana, Uganda basin-wide development, the appraisal and early development planning of the Turkana Basin in Kenya, the Banda gas project in Mauritania and the Kudu gas field in Namibia, will enable us to further develop our onshore and offshore operating capability.

Key producing assets

Ghana

We have interests in two offshore license blocks which include the Jubilee field and the Tweneboa, Enyenra and Ntomme cluster of fields, which comprise the TEN Project.



Jubilee field

Overview

We have interests in two licenses offshore Ghana where we discovered the world-class Jubilee field in 2007. The field straddles the boundary between two blocks: Deepwater Tano and West Cape Three Points, and we operate the field under a unitization agreement. See "—Material agreements relating to our assets—Unitization and unit operating agreement." The table below sets out key details relating to the field:

Location:	Offshore Ghana
Production Facility:	FPSO Kwame Nkrumah *MV21* (owned by us and our commercial partners)
Tullow Working Interest:	35.48%
Operator:	Tullow
Field Partners:	Anadarko, Kosmos Energy, GNPC and PetroSA
Average production during the year ended December 31, 2013:	Gross: approx. 97,500 bopd / Our net: 34,600 bopd
Crude Oil Grade:	API gravity 36.4 degrees

We discovered the Jubilee field in 2007 and, following an accelerated development, achieved first oil in November 2010, 40 months after discovery. The Minister of Energy in Ghana formally approved the Jubilee field Phase 1 Development Plan and Unitization Agreement on behalf of the government of Ghana in July 2009.

Jubilee is a deep-water oil and gas field, located approximately 60 kilometers from the Ghanaian coastline in water depths ranging from 1,000 meters to 1,700 meters. Jubilee field wells tie back to a FPSO facility via subsea infrastructure. Production is gathered through subsea manifolds and conveyed by subsea flowlines to the FPSO, which has a storage capacity of 1.6 million bbls and is capable of processing more than 120,000 bopd and injecting more than 230,000 bwpd and 160 MMscfd of produced gas. We market our equity share of Jubilee crude oil, making free on board ("**FOB**") sales from the FPSO to third-party buyers.

During the first year of production, the FPSO performed extremely well with what we believe to be industry-leading uptime figures. We purchased the vessel from MODEC in December 2011, on behalf of the Jubilee partners, while MODEC continued to provide operations and maintenance services. At the start of 2012, the field encountered productivity issues with certain wells that resulted in lower than envisaged production rates. During 2012, a program of acid stimulations successfully restored the original productivity of those wells which has since been maintained. The field has continued to ramp up towards capacity production following the acid stimulation and a number of new Phase 1A wells coming on stream.

In the period from first oil to March 2014, over 95 million barrels of oil have been produced and exported. For the year ended December 31, 2013, gross production at the Jubilee field averaged approximately 97,500 bopd, of which 34,600 bopd represented our share. The field has continued to ramp up towards capacity production, with gross production approximately 105,000 bopd at the end of February 2014. During the year ended December 31, 2013, the Jubilee field production accounted for approximately 41% of our total oil and gas production.

Our net commercial reserves and contingent resources associated with the Jubilee field as of December 31, 2013 are shown in the following table.

	Jubilee Reserves & Resources		
	Oil (mmbbl)	Gas (bcf)	Total (mmboe)
Commercial Reserves (2P)	147.45	0.0	147.45
Contingent Resources (2C)	35.75	156.52	61.83
Total	183.20	156.52	209.28

Source: ERCE Report

Field technical background and development

We discovered the Jubilee field drilling the Mahogany-1 and Hyedua-1 exploration wells in 2007. The two wells were drilled five kilometers apart and intersected a large continuous accumulation of light sweet crude oil in excellent quality stacked reservoir sandstones. Appraisal drilling commenced in 2008 to define the potential of the greater field area. Seven successful exploratory appraisal wells were drilled and each of these discoveries intersected considerable hydrocarbon columns. Flow tests on three of the wells indicated that the Jubilee field had the potential to be a highly productive and well-connected reservoir.

Phase 1 development

The Phase 1 development, which was completed in October 2011, included drilling seventeen wells comprised of nine oil producing wells, five water injector wells and three gas injector wells. The Phase 1 development was implemented using proven subsea production and control systems that tied back to the FPSO, which is permanently moored via a bow-mounted turret and single point mooring system. Oil is offloaded to trading tankers via a hose/hawser system. We are enhancing production through 100% voidage replacement with down-dip water injectors and up-dip gas injectors, with the injected gas blown down and recoverable as the field is further developed.

Gross field production during 2012 averaged approximately 72,000 bopd, of which 24,450 represented our share. This was lower than envisaged at the start of the year due to productivity issues with certain wells. During 2012, a program of acid stimulations successfully restored the original productivity of those wells. To avoid any recurrence of the productivity issues in new wells, we have since applied alternative reservoir management methods and well completion designs which have demonstrated the ability to be effective in counteracting the productivity issues that initially arose on earlier wells. No productivity decline has been observed since.

Phase 1A development

In January 2012, the government of Ghana approved the Phase 1A development, which was designed to extend plateau production and recover additional reserves. The Phase 1A development originally consisted of eight new wells; five of those wells have been drilled, and due to the successful remediation of the Phase 1 producing wells, Phase 1A will be concluded after completion of two more wells which will be drilled as required. The Phase 1A development has successfully increased well production capacity to in excess of 130,000 bopd and we believe enhanced the recoverable reserves potential from the Jubilee field.

A capacity test of the FPSO facilities in March 2013 indicated an oil system handling capacity in excess of 125,000 bopd. De-bottlenecking work on the FPSO facilities to remove various constraints that limit production to approximately 112,000 bopd is currently underway and is scheduled to be completed before mid-2014. Full relief will only be realized when gas exports commence, which is expected in the second half of 2014, pending the start-up of the government of Ghana’s gas processing plant.

The first planned maintenance shutdown of the Jubilee FPSO Kwame Nkrumah was successfully completed in late September 2013. The field production was reduced during the second half of 2013 due to a number of unplanned shutdowns of the FPSO’s water injection system. The system is now fully operational and well capacity has been restored to over 130,000 bopd.

Offtake and marketing

We sell our share of Jubilee crude oil production, making FOB sales from the FPSO to third-party buyers. Sales entitlement volumes of each commercial partner build up onboard the FPSO and a dedicated hydrocarbon allocation system records each partner’s stock position and allocates and schedules liftings to the most entitled party. At current production levels, there are typically between three and four standard cargos, of one million barrels per cargo, of crude oil offloaded per month. Jubilee crude oil is light and sweet with no unusual characteristics. Crude oils of this type attract a wide range of refiners and typically command competitive prices in the market, as they can be processed into gasoline, kerosene and high-quality diesel.

We have appointed Vitol, under a one year contract, to market our share of Jubilee crude oil. The marketing contract is an agency agreement, whereby Vitol markets the crude oil and identifies a buyer for a given shipment. Depending on the quality of the counterparty, judged partially by their credit quality, we either establish a direct sales contract with that buyer or we complete the sale through Vitol, who provides credit support to us via letters of credit. Our sales of crude oil are generally based on a spot sales differential (premium or discount) to an average of Dated Brent crude oil quotes, pricing 5 days after the bill of lading date.

Future plans and outlook

We are in the process of discussing a Full Field Development Plan with the government of Ghana. This plan details how the Jubilee field can be fully developed over the coming years to maximize recoverable reserves and extend plateau production rates. Approximately 20 further infill well locations have been identified and there is scope to extend the capacity and reach of the FPSO. The greater Jubilee area, which includes the Mahogany and Akasa satellite discoveries, are being considered as potential tie backs to the existing FPSO, with a study underway to review the hub expansion options. We believe this work demonstrates the potential to significantly extend the Jubilee production plateau.

We also continue to monitor the status of the gas export project of the Ghana National Gas Corporation (GNGC), which is currently forecast to be fully operational in the second half of 2014. The GNGC pipeline and reception terminal is expected to give us the option to export surplus gas produced from the field not required for pressure support. The field’s oil production is currently constrained by associated gas disposal routes without export being available. Full gas disposal injection to the crest of the Jubilee reservoir during the last three years has resulted in the reservoir now being essentially full, and gas starting to back-out due to pressure rise. As a consequence of the ongoing delay in gas export (originally due at the end of 2012), the Jubilee commercial partners have had to pursue various alternative gas handling options, including the drilling of a third gas injection well into a new reservoir zone in 2013. Discussions are ongoing with the government of Ghana on other alternatives, including limited flaring, which would enable the field to continue to produce at a level similar to 2013 until the gas export project is fully operational.

Equatorial Guinea

We have development and production interests in two Hess Corp. operated licenses offshore Equatorial Guinea, encompassing the Ceiba field and Okume Complex. The Ceiba field has been producing oil since 2000 and we gained our first interest in the Okume Complex in 2004 through the acquisition of Energy Africa.

Ceiba field and Okume Complex (Block G)

Overview

Location:... Offshore Equatorial Guinea

Production Facility:	Sendje Ceiba FPSO
Tullow Working Interest:	14.25%
Operator:	Hess Corp.
Field Partners:	Hess Corp. and GEPetrol
Average production during the year ended December 31, 2013:	Gross: 68,070 bopd / Our Net: 9,700 bopd
Crude Oil Grade:	Ceiba Blend (API gravity 31.8 degrees)

Ceiba field

The Ceiba field lies approximately 35 kilometers offshore Equatorial Guinea in Block G in the Rio Muni Basin. The field was developed in phases, with the first phase including five wells tied back to the FPSO via dual flowlines connected to subsea manifolds. First oil was achieved in November 2000, bringing the project from discovery to first oil in 14 months.

The second phase of the development was designed to increase production and water injection capabilities, and it included replacing the existing FPSO, as well as a drilling campaign of 14 wells. In order to maintain pressure and maximize field recovery, the project increased onboard liquids-processing capacity from 60,000 bopd to 160,000 bopd, as well as expanded onboard water-injection facilities to 135,000 bpd of water.

The Ceiba field performed strongly in 2013 following the completion of a successful workover and infill drilling program in the first half of the year, with the final two producing wells coming online in July and September 2013, respectively. The program has increased production, with net production averaging 3,500 bopd in 2013. A new 4D seismic survey is planned for 2014 in anticipation of a further drilling campaign in 2017.

Okume Complex

Discovered in June 2001, the Okume Complex is located approximately 29 kilometers offshore Equatorial Guinea in Block G of the Rio Muni Basin near the Ceiba field. The Okume Complex is composed of five fields, Okume, Oveng, Ebano, Elon and Akom North.

The government of Equatorial Guinea approved the plan of development for the Okume Complex in August 2004. The integrated development involved two tension leg platforms ("**TLPs**"), three satellite platforms, 29 production wells, 16 water injection wells and two gas injection wells. Production flows from the TLPs and platforms to a central processing platform on the shallow-water Elon field and then through a 24 kilometer subsea pipeline to the Sendje Ceiba FPSO. Both TLPs can process 25,000 bopd and 30 mmcf/d of gas with water treatment and utility systems. The Sendje Ceiba FPSO is also operated by Hess Corp. Commencing use in November 2000, the FPSO was used to develop the nearby Ceiba field and has a storage capacity of 2.1 million barrels of crude oil.

Production commenced at the Okume Complex in December 2006. Other fields have been discovered on these two blocks in the Rio Muni Basin since the start of the field development process, namely Akom and Abang. In the future, these fields may be tied in to produce from the existing infrastructure in the Rio Muni Basin and form part of the Okume Complex.

Our average working interest production in these fields was 6,200 bopd in 2013. Our commercial reserves and contingent resources associated with the Ceiba field and Okume Complex as of December 31, 2013 are shown in the following table.

	Ceiba field and Okume Complex Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	17.58	0.0	17.58
Contingent Resources (2C)	2.14	0.0	2.14
Total	**19.72**	**0.0**	**19.72**

Source: ERCE Report

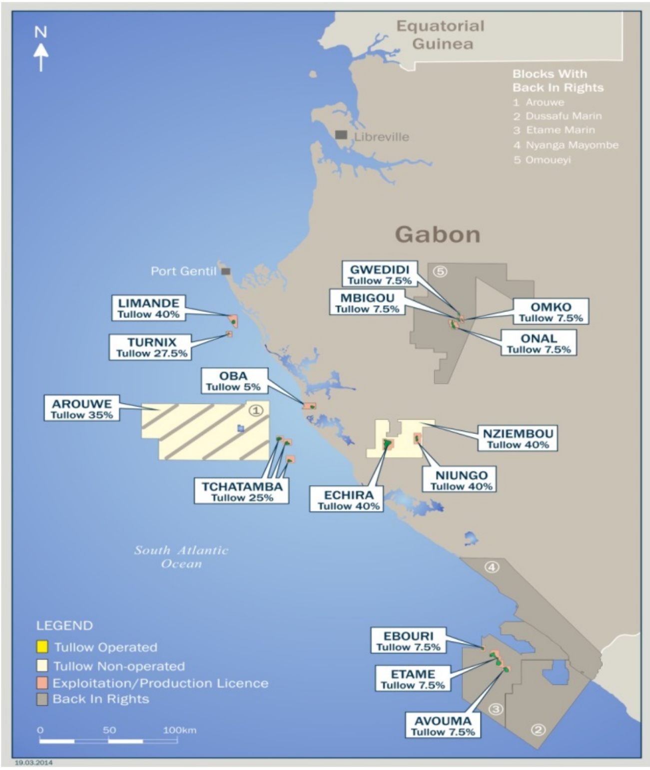
Offtake and marketing

Our shares of the Ceiba field and Okume Complex oil sales entitlements are marketed by Hess Corp. together with its own volumes. The offtake arrangements involve the use of the dedicated Sendje Ceiba FPSO, loading to third-party tankers via a CALM Buoy. At current production levels there are typically between two and three cargos (one million barrels per cargo) each month. All of the crude oil is sold to third-parties on a spot FOB basis. Together with Hess Corp., we have also entered into a term agreement with a major Chinese state buyer, enabling it to buy one cargo per calendar quarter at the market price in that month. Pricing is based on a spot sales differential (premium or discount) to an average of Dated Brent crude oil quotes, pricing five days after the bill of lading date.

Future plans and outlook

A major Okume Complex infill drilling program of 14 wells commenced in October 2013 and is expected to continue until mid-2016. This program is expected to significantly enhance production and extend the field life.

Gabon



In Gabon, we have license interests in 14 producing fields and our working interest production in these fields was 13,300 boepd in 2013. The key producing fields in Gabon are the Tchatamba Fields and the Limande field, although the Niungo and Etame fields produced on average 1,800 bopd and 1,300 bopd, respectively, during the year ended December 31, 2013.

Our commercial reserves and contingent resources in Gabon as of December 31, 2013 are shown in the following table.

	Gabon Fields Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	32.62	0.0	32.62
Contingent Resources (2C)	2.79	0.0	2.79
Total	35.42	0.0	35.42

Source: ERCE Report

Tchatamba Fields

Overview

Location:	Offshore Republic of Gabon
Production Facility:	Cap Lopez marine terminal
Tullow Working Interest:	25.0%
Operator:	Perenco
Field Partners:	Perenco and Oranje Nassau
Average production during the year ended December 31, 2013:	Gross: 13,200 bopd / Our Net: 3,300 bopd
Crude Oil Grade:	Rabi Light (API gravity 35.8 degrees)

The Kowe Block, located approximately 24 kilometers offshore Gabon with a water depth of 100 meters, contains three fields, Tchatamba South, Tchatamba Marin and Tchatamba West (together the "**Tchatamba Fields**"). Discovered between 1993 and 1997, production from the fields started in 1998. A permanent pipeline was constructed directly to the onshore Cap Lopez terminal and completed in 2003. Our average working interest production from these fields was 4,000 bopd in 2012 and 3,300 bopd during the year ended December 31, 2013.

Field technical background and development

Production in all three fields is from the Lower Cretaceous Madiela reservoir, consisting of high permeable quartz and carbonate shallow marine sands. In addition, the largest field, Tchatamba South, also produces from the Upper Cretaceous Cap Lopez and Azile reservoirs. At present there are six producing wells in Tchatamba South, two wells in Tchatamba Marin and one well in Tchatamba West. Due to the excellent reservoir qualities and aquifer strength, no water injection is required. Pressure support is through natural water drive and produced water is treated before disposal.

In late 2009, Perenco took over the operation from Marathon. Perenco, present in Gabon since 1992, has improved the overall uptimes of the facilities and has materially increased reserves by drilling the successful TCTS-B8 well in 2011 and TCTS-B9 in 2012.

Offtake and marketing

Production from the Tchatamba Fields is transported onshore by a Perenco-operated pipeline into Total-operated infrastructure and finally to the Total-operated Cap Lopez marine terminal where the crude oil is commingled with other Gabonese crude oils to form Rabi Light crude oil. Our share of Rabi Light crude oil is sold FOB to a major oil company and we receive a partial lifting every month. The sales price we receive is based on the official government market price for Rabi Light for the month of loading.

Future plans and outlook

Based on the 2011-2012 successes, a further infill drilling program began in December 2013 and has continued in 2014. This plan includes drilling up to four wells on Tchatamba South and Tchatamba Marin, plus two contingent infill wells.

Limande

Overview

We hold a 40% interest in the Limande field, which was discovered in 1991 and is located approximately 11 kilometers offshore Gabon. The field was developed by Eni S.p.A. and is currently operated by Perenco. Development drilling commenced in 1998, and the field was brought on stream in the same year.

Location:	Offshore Republic of Gabon
Production Facility:	Fernan Vaz FSO (Oguendjo Field)
Tullow Working Interest:	40.0%
Operator:	Perenco
Field Partners:	None
Average production during the year ended December 31, 2013:	Gross: 7,250 bopd / Our Net: 2,900 bopd
Crude Oil Grade:	Oguendjo Blend

Field technical background and development

The Limande field is a high-relief structure flanking the western edge of a steeply sloping salt wall along the same trend as the Turnix field. Due to the structural and depositional complexities, reservoir compartmentalization and baffling are likely. The reservoir is the N'Tchengue Ocean formation. The field has an oil column of over 400 meters, with a moderate edge-drive aquifer. The field is produced under depletion with secondary pressure support from solution gas drive and edge aquifer.

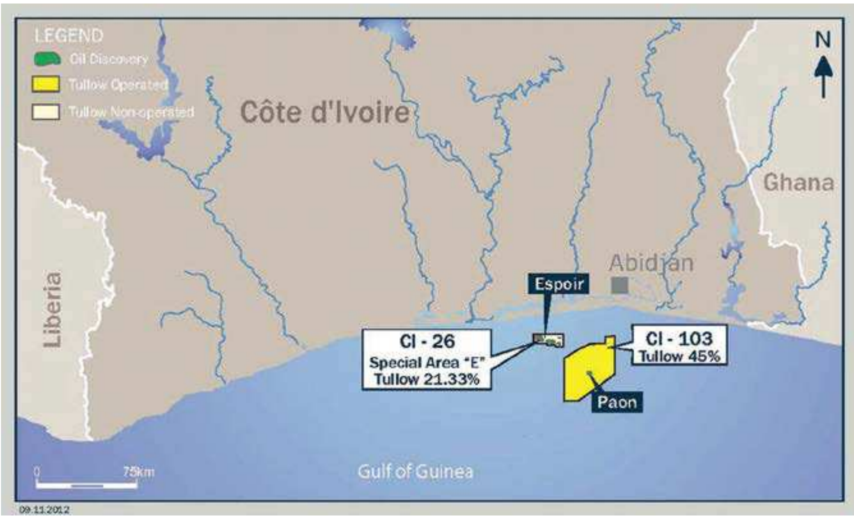
Offtake and marketing

We have marketed our share of Limande field oil volumes ourselves since 2013. Limande field crude oil is processed at the Pelican field before being piped to the FSO, "Fernan Vaz" (located at the Oguendjo Field) for loading to third-party tankers via a flexible hose connection. Limande field production is commingled with a range of other crude oils on the Fernan Vaz that collectively make the export grade Oguendjo Blend. Our sales of Oguendjo blend are made spot FOB into the international market. The standard cargo size of Oguendjo Blend is 650 kbbls. Oguendjo pricing is normally based on a differential to Dated Brent crude oil quotes pricing following the Bill of Lading date. Limande field crude oil is also subject to a quality banking adjustment to reflect its quality relative to that of Oguendjo Blend. This is calculated by a mutually agreed third party using a refinery netback calculation. It is paid pro rata to Limande and Turnix inventory and recovered as an operating cost.

Future plans and outlook

The Limande field continues to perform strongly due to two wells drilled in the South of the field during 2013.

Côte d'Ivoire



Espoir Field

In Côte d'Ivoire we have exploration, development and production interests in two offshore licenses. We first established interests in Côte d'Ivoire during 1997 and in 2002 we began producing from the Espoir field which is located in license CI-26 Special Area "E."

Overview

Location:..	Offshore Côte d'Ivoire
Production Facility:	FPSO Espoir Ivoirien
Tullow Working Interest:..	21.33%
Operator:...	CNR
Field Partners:...	CNR and Petroci Holding
Average production during the year ended December 31, 2013:...	Gross: 16,430 bopd / Our Net: 3,500 bopd
Crude Oil Grade:...	API gravity 31.0 degrees

The Espoir field lies 19 kilometers offshore south of Jacqueville and 60 kilometers south-west of Abidjan in water depths ranging from 100 meters to 600 meters. The field was discovered in the 1970s and subsequently developed in the early

1980s by Phillips Petroleum. Declining production and weak markets resulted in the field becoming uneconomic and it was shut down in 1988.

The field has become commercially viable again as a result of modern drilling and production techniques, secondary oil recovery, an improved production sharing contract and favorable markets. Under the operatorship of CNR, the field has been re-developed in phases, with the first phase commencing production at the end of 2002. There is evidence of declining production levels and in the year ended December 31, 2013 the East and West Espoir fields averaged 16,430 boepd, of which 3,500 boepd represented our share. We hope to offset this decline through a new infill drilling campaign.

Our commercial reserves and contingent resources associated with the Espoir field as of December 31, 2013 are shown in the following table.

	Espoir Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	7.65	17.99	10.64
Contingent Resources (2C)	0.0	0.0	0.0
Total	7.65	17.99	10.64

Source: ERCE Report

Field technical background and development

The re-development of the Espoir field was centered on a wellhead tower covering the eastern part of the reservoir and an FPSO. The second phase of re-development involved an additional wellhead tower and drilling in the western lobe of the reservoir. The wellhead tower at West Espoir was installed in November 2005 and first production began in mid-2006 with development drilling completed in 2008.

Oil produced from the east and west reservoirs is processed, stored and offloaded from a dedicated FPSO, the Espoir Ivoirien, which is located between the two wellhead towers. Oil is exported by shuttle tanker and gas is taken to shore via a 19 kilometer subsea pipeline, where it is used to generate electricity in Abidjan.

The FPSO is owned and operated by BW Offshore under contract to the field operator. The contract has a firm period to the second quarter of 2017 with options to extend the contract until the second quarter of 2036.

Offtake and marketing

Our share of the Espoir field oil volumes is marketed together with the operator's volumes. The current arrangements involve the use of the Espoir Ivoirien, loading to third-party tankers via a hose connection on a regular basis. Crude oil is sold on a spot FOB basis by BP acting on behalf of the commercial partners under a term sales and marketing agreement. Pricing is based on a differential (premium or discount) to the month average of Dated Brent crude oil.

Future plans and outlook

A new drilling campaign of eleven infill wells across the fields is expected to commence in the second half of 2014.

Key operated development assets

Tweneboa, Enyenra and Ntomme fields (TEN Project)

Overview

The TEN Project, our second major development offshore Ghana, will combine production from the Tweneboa, Enyenra and Ntomme fields. These fields are spread across an area of more than 800 square kilometers and are located approximately 20 kilometers to the west of our Jubilee development in the Deep Water Tano license block.

Location:	Offshore Ghana
Planned Production Facility:	FPSO (conversion contract of VLCC Centennial J awarded to MODEC)
Tullow Working Interest:	47.175%
Operator:	Tullow
Field Partners:	Anadarko, Kosmos Energy, PetroSA and GNPC
Targeted Production:	Gross: approx. 80,000 bopd / Our Net: approx. 37,740 bopd

Indicative Crude Oil Grade:..	API gravity 33 to 36 degrees

The TEN Project is designed to develop three deep-water oil and gas fields offshore Ghana in water depths ranging from 800 meters to 2,000 meters. The initial discovery, Tweneboa, was made in March 2009, followed by the Enyenra field in July 2010 and the Ntomme discovery later in that year.

We submitted a plan of development to the government of Ghana in December 2012 and received approval for this plan of development in May 2013. The approval paves the way for us and our commercial partners to proceed with the development of these discoveries. The estimated capital expenditure costs for the base development plan, which includes up to 24 development wells, excluding FPSO lease costs, is approximately $4.9 billion over the period from 2013 to 2018.

As part of the field development plan, the wells will be tied back to a FPSO via subsea infrastructure. The FPSO will have a design storage capacity of 1.7 million bbls, and will be capable of handling plateau production of 80,000 bopd, injection capacity of 132,000 bwpd and 170 MMscfd of produced gas. The FPSO is scheduled for delivery during 2016 and is designed to remain operational in the field for up to 20 years.

Our commercial reserves and contingent resources associated with the TEN fields as of December 31, 2013 are shown in the following table.

	TEN Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	112.19	157.68	138.47
Contingent Resources (2C)	25.28	303.06	75.79
Total	137.47	460.74	214.26

Source: ERCE Report

Field technical background and development

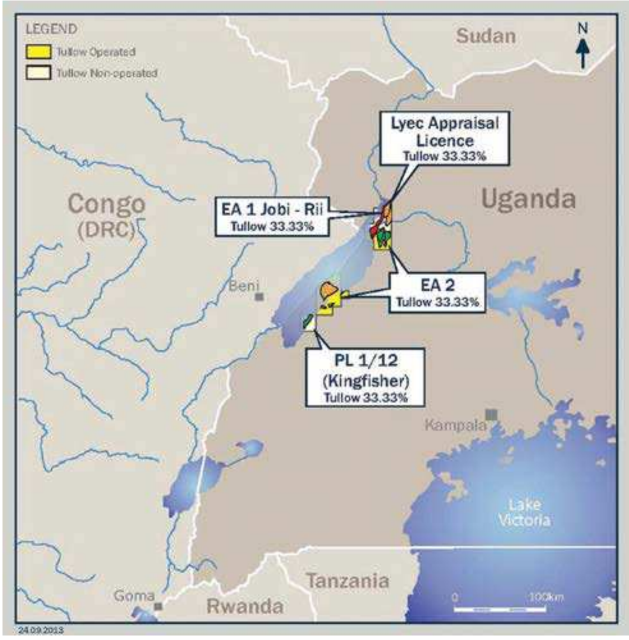
In March 2009, the Tweneboa-1 exploration well in the Deep Water Tano license, 25 kilometers from the Jubilee field, discovered a highly pressured light hydrocarbon accumulation. The second successful well Tweneboa-2, was drilled in January 2010. The first discovery at the Enyenra field was made in July 2010. In late 2010, working in 1,600 meters of water, 6 kilometers southeast of Tweneboa-2, the Ntomme field was discovered, which holds deposits of gas-condensate. An appraisal program was initiated in 2011 and continued in 2012 and 2013 with the drilling of four wells: Owo-1RA, Enyenra-4A, Ntomme-2A and Enyenra-6A. A 3D seismic program over the TEN fields is in progress and is expected to be completed by the end of the second quarter of 2014.

Contracts for the FPSO and subsea tenders were awarded in August 2013 and rig capacity for the drilling and completion of the development wells has been secured. The first new development well was successfully drilled at the end of 2013. Project facilities work is underway with a project team based in multiple locations. First production from the TEN Project is expected in 2016, circa 36 months after we received approval from the government of Ghana.

Future plans and outlook

Following approval of the plan of development, we have initiated discussions with the government of Ghana regarding our intention to farm-down some of our equity in the TEN Project. The process for reducing our stake and capital commitments while retaining operatorship in the project is ongoing with proposals being evaluated.

Uganda



Our interests in four licenses in Uganda, Exploration Area 1 (covering amongst others, the Jobi Rii field), Exploration Area 1A (covering the Lyec field), Exploration Area 2 (covering amongst others, the Mputa, Waraga and Kasamene fields) and the Kingfisher Discovery Area (which forms part of the former Exploration Area 3A), offer significant potential for development and production.

The Jobi Rii, Mputa, Waraga, Kasamene and Kingfisher fields are located along the Lake Albert Rift Basin in Uganda. Through our acquisitions of Energy Africa and Hardman we acquired a 50% interest in Exploration Areas 1 and 3A and a 100% interest in Exploration Area 2. We acquired the remaining 50% in Exploration Areas 1 and 3A through the purchase of Heritage's interests in July 2010. We subsequently signed sale and purchase agreements in March 2011 to farm-down our interests in Exploration Areas 1, 2 and 3A to CNOOC and Total S.A. for a headline consideration of \$2.9 billion, with each partner taking a one- third interest in each license. In February 2012, we signed two production sharing agreements with the government of Uganda (one for the Kanywataba prospect area (which formed part of the former Exploration Area 3A) which expired in August 2012 and one for Exploration Area 1A) which allowed us and our commercial partners to complete the farm-down. In February 2012, a production license was also granted in respect of the Kingfisher Discovery Area.

Our commercial reserves and contingent resources associated with Uganda as of December 31, 2013 are shown in the following table.

	Uganda Reserves & Resources		
	Oil (mmbbl)	**Gas (bcf)**	**Total (mmboe)**
Commercial Reserves (2P)	0.0	0.0	0.0
Contingent Resources (2C)	424.11	12.96	426.27
Total	424.11	12.96	426.27

Source: ERCE Report

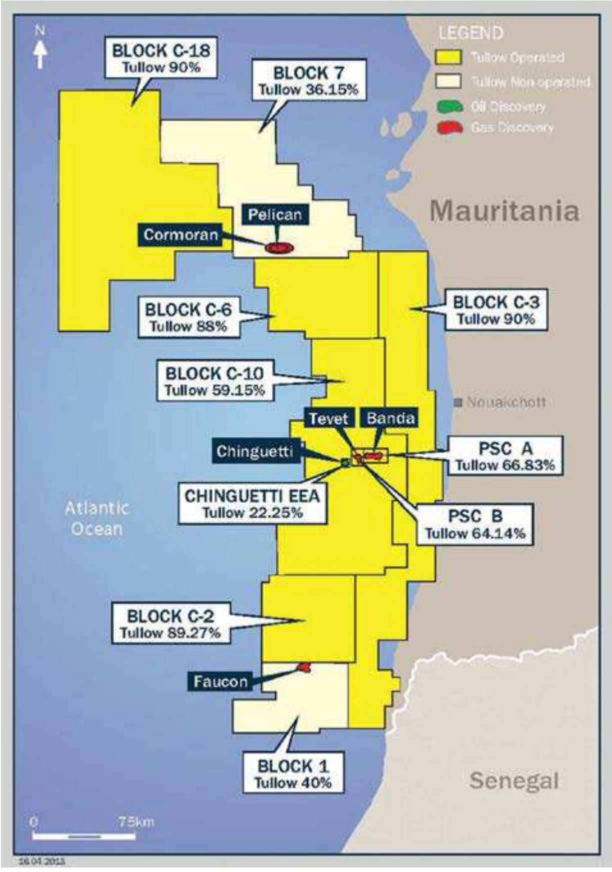
Following completion of the farm-down, we divided field operatorship responsibilities with our new commercial partners. We operate Exploration Area 2, while Total operates Exploration Areas 1 and 1A and CNOOC operates the Kingfisher Discovery Area in the former Exploration Area 3A. In 2013, an accelerated exploration and appraisal drilling program commenced across the basin including more than 20 appraisal wells, extensive well-testing and 3D seismic acquisition.

In line with the production license applications that have been submitted by us and our commercial partners (including recent submissions for the Kasamene field in EA2), we, Total and CNOOC have presented a joint development proposal to the government of Uganda, which is based on three main oil and gas processing centers delivering a combined oil production rate in excess of 200,000 bopd from over 700 wells.

Significant progress has been made with the government of Uganda and our commercial partners regarding the development options for the Lake Albert Basin. In February 2014, we and our commercial partners signed a Memorandum of Understanding with the government of Uganda that sets out a basin-wide commercialization plan. The Memorandum of Understanding envisages an integrated development of the upstream, an export pipeline and a refinery sized initially at 30,000 bopd with the potential to expand to 60,000 bopd to meet available market demand in East Africa. The commercial partnership has submitted production license applications, including field development plans, for seven of the fields, and the government of Uganda has approved the field development plan for the Kingfisher Discovery Area. We expect to submit further applications during the course of 2014.

The partnership also has completed the concept stage of the pipeline studies and is in the process of a comprehensive pre front-end engineering and design study for a crude oil export pipeline, with discussions with the government of Uganda on pipeline cooperation continuing. Intergovernmental discussions have suggested the possibility of Kenya spearheading the development of a regional export pipeline.

Mauritania



Banda

Overview

The Banda field is located offshore Mauritania, approximately 20 kilometers from the Chinguetti field in water depths of approximately 250 meters. The Banda field is a gas reservoir with a very small oil rim, which has the potential to produce gas at 60-80 mmscfd with a long-term plateau. We are the field operator and, acting on behalf of the other commercial partners, declared the Banda field as a commercial discovery in September 2012.

We hold a 66.8267% equity interest in the license and acquired operatorship of the field in November 2011. The Banda field was discovered in 2002 and appraised by the operators at the time, Woodside and subsequently Petronas. Since acquiring operatorship of the Banda field in November 2011, we have been working with the government of Mauritania and international mining companies to develop gas sales arrangements, which will enable the development of the Banda field as part of a gas-to-power scheme.

The gas-to-power scheme contemplates both upstream and downstream projects. The upstream development costs are estimated to be approximately $650 million. Under the proposed gas supply agreement, the upstream parties will sell Banda field gas to Societe de Production d’Electricite et de Gaz, the national power company, for a term of 20 years with an annual average minimum take or pay commitment of 40.7 mmscfd. The commercial reserves are sufficient to deliver the contract gas quantity for a period in excess of the 20-year contract term.

The downstream project would encompass two integrated power plants. The first power plant, with a total capacity of 180 MW, would be located at Nouakchott adjacent to the onshore gas processing facility. The second power plant, a combined cycle plant with a total capacity of 120 MW, would be located at the same site. Societe de Production d'Electricite et de Gaz would sell all electricity generated under a long term power purchase agreement to the state- owned electricity company, Societe Mauritanienne d'Electricite.

When the commercial structure has been finalized, including the gas sales price, we plan to submit our final approvals to the government and commence development in 2014.

Namibia

Kudu

Overview

The Kudu gas field in offshore Namibia, which we operate and in which we hold a 31.0% working interest, was discovered in 1974. We acquired operatorship of the field in 2005 and have been working with the government of Namibia to develop gas sales arrangements to enable the commercial development of the Kudu field.

Pursuant to a project development agreement executed in March 2013, we plan to develop the Kudu gas field utilizing a floating production system to produce, condition and compress the gas, which will be delivered to shore by a dry gas export pipeline. From here the gas would be sold to a power plant owned by downstream operator KuduPower.

We as operator, and acting on behalf of the downstream operators, were awarded a new 25-year production license on November 10, 2011. The project development agreement requires us and the downstream operators (KuduPower and NamPower) to conduct certain development activities in a coordinated manner to technically and commercially define the project, negotiate and enter into a gas sales agreement and reach a final investment decision toward the end of 2014. We carried out front end engineering work in 2013 and the first quarter of 2014 to support our investment decision. Under the proposed gas sales agreement, we and our commercial partners would sell gas from the Kudu field to KuduPower for a minimum term of 15 years at an average rate of 108 mmscfd.

Pursuant to the project development agreement, KuduPower is expected to build, own and operate a combined cycle gas turbine power plant with a nominal capacity of 800 MW which would be located near Oranjemund in southern Namibia. KuduPower would purchase all gas generated by the Kudu Field for power generation and sell all electricity generated to

NamPower. The development costs of the Kudu field are estimated to be approximately $1.3 billion, excluding the cost of the FPS, which is expected to be leased.

Exploration and appraisal

During the seven years ended December 31, 2013, we have invested approximately $5 billion in exploration and appraisal activity. These efforts have resulted in the addition of 200 mmboe on average per annum to our contingent resources and opened up new oil regions and assets for us to divest or develop. We believe our industry-leading exploration and appraisal expertise in frontier areas, which can be remote and challenging, provides us with a key competitive advantage.

The following table sets out the number of exploration and appraisal wells drilled since 2011.

	2011	2012	2013
Number of exploration and appraisal wells drilled	35	46	57
Success ratio(1)	74%	74%	65%

(1) Success ratio is defined as wells where hydrocarbons have been encountered and recovered to surface.

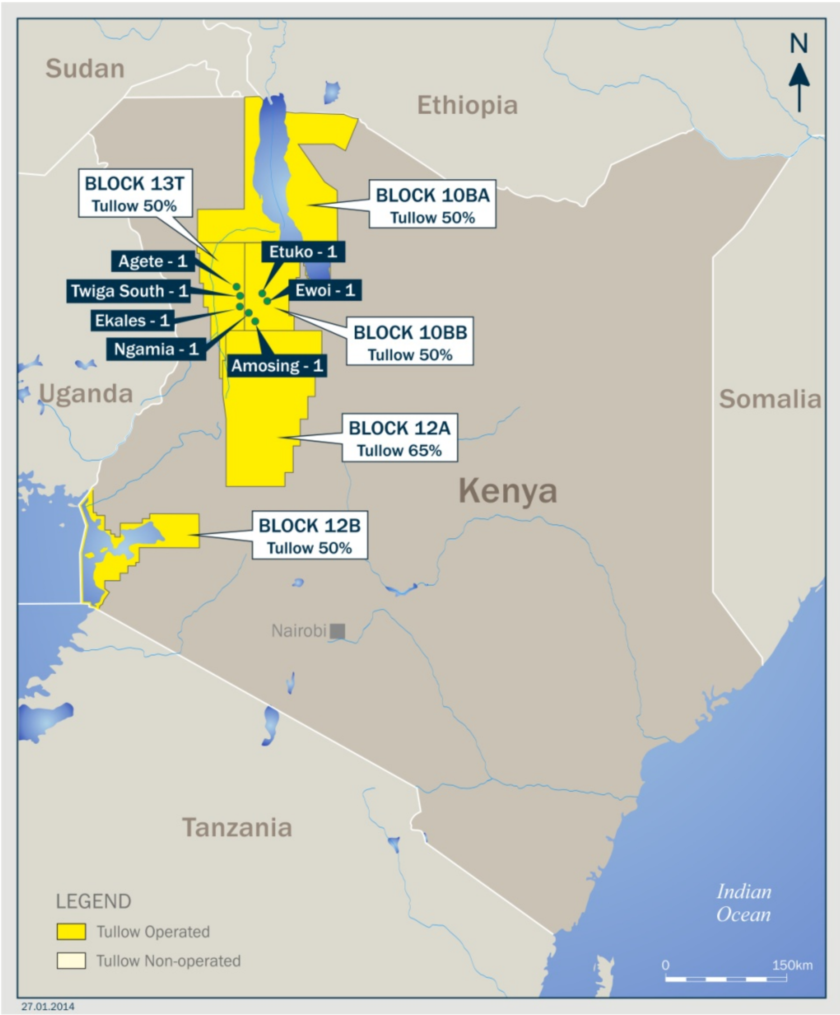
Our exploration strategy is to explore for high-margin light oil in commercial quantities in conventional geological core plays. We focus our exploration activities in the regions and geological plays—stratigraphic traps, rift and salt basins—in which we have significant experience and operating expertise. Since 2006, our efforts have resulted in five major basin- opening discoveries: Uganda (in 2006), Ghana (in 2007), French Guiana (in 2011), Kenya (in 2012) and Norway (in 2013). Following our strong exploration success in Africa, we are now following these geological plays throughout the Atlantic Margins. Our current three major 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, U.K. and Dutch Southern North Sea and Gabon), and we have also been building capability to explore a fourth play, carbonates (e.g., Mauritania).

We generally prefer to enter initially as the operator with a high percentage-equity position. For example, we have a 50% interest in the South Omo license in Ethiopia, between a 50% and 65% interest in our five Kenyan licenses, at least a 50% interest in six of eight of our Mauritanian licenses and a 100% interest in our two Madagascar licenses, and are the operator in each of these blocks. This approach enables us to set up tailored business and exploration strategies, which often include drilling wildcat wells, as we acquire and interpret geophysical and geological data. If we choose to retain and develop an asset, we evaluate whether to bring in a strategic partner for the campaign. Bringing in commercial partners allows us to share the costs and risks, benefit from their expertise and realize value from our previous efforts, which can include reimbursements for past costs, carries of our on-going costs or bonuses for future successes. See "—Field and commercial partners." Once discoveries have been delineated, appraised and tested for hydrocarbons, we decide whether to divest or develop the asset through to production. We make this decision considering the value, risk, remaining upside potential and the practical development and production options.

We believe that focusing on oil rather than gas delivers a higher value reward although the risks inherent in oil exploration and production are greater. In addition to working with strategic partners, we attempt to mitigate risks through the use of innovative exploration technologies such as Full Tensor Gradiometry and by analyzing advanced geoscience models prior to commencing drilling. More generally, we try to limit risk by running campaigns across multiple basins and countries and at different stages of exploration.

Core exploration and appraisal campaigns

Kenya



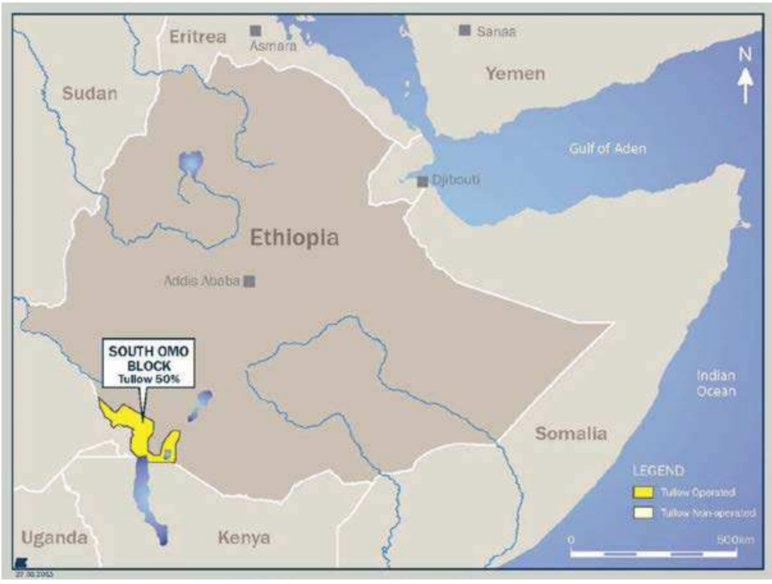
Following our exploration success in Uganda's Lake Albert Rift Basin, we extended our exploration acreage into the prospective East Africa Rift Basins of Kenya and Ethiopia, which are located 500 kilometers to the east of Lake Albert. We operate five onshore blocks, with a 50% to 65% interest covering approximately 65,000 square kilometers. Such blocks include Blocks 10BB and 13T, in which we hold a 50% interest. The onshore acreage covers eight rift basins which have similar characteristics to the Lake Albert Rift Basin in Uganda. Over 120 leads and prospects have so far been identified following the acquisition of FTG surveys across most of the Kenya-Ethiopia license area and 4,160 kilometers of seismic surveys.

Exploration drilling in the Kenya Rift Basins began in January 2012 with the drilling of the Ngamia-1 wildcat well in Block 10BB and the Twiga South- 1 well in Block 13T. Flow tests at both wells indicated a cumulative constrained rate of approximately 3,000 bopd gross of 25 to 35 degree API sweet waxy oil with no indication of pressure depletion. These tests resulted in the doubling of our previous estimates of net oil pay, demonstrated the potential to achieve an unconstrained rate of over 5,000 bopd gross per well and raised our expectations regarding the potentially recoverable volumes. Following completion of the Etuko-1 well in Block 10BB and the Ekales-1 and Agete-1 wells in Block 13T, we estimate the Kenyan resources to be in excess of the commercial threshold for a development to production. Our announcement in January 2014 of the Amosing-1 and Ewoi-1 oil discoveries, our sixth and seventh successful wild-cat exploration wells in the South Lokichar Basin, further supports this estimate.

Due to the scale of the resources discovered to date, we along with our commercial partners have initiated discussions with the government of Kenya and other relevant stakeholders to consider development options. These discussions include consideration of a "start-up phase" oil production system and potential to deliver significant production rates with oil exports via road and rail infrastructure in advance of a full-scale pipeline development. We are also involved in a comprehensive pre-front-end engineering and design study for an export pipeline. See "Industry and Market Data—Africa (East)—Uganda—Oil and gas industry in Uganda".

To facilitate these development activities while engaging in our on-going exploration and appraisal activities, in February 2013 the government of Kenya agreed to our proposal to carry out an exploration and evaluation program over a defined "Area of Interest" falling within Blocks 10BB and 13T. This agreement encompasses the basin discoveries and further prospects in Blocks 10BB and 13T. This agreement allows a multiple field approach to development of the resources while permitting the continued focus on exploration to increase the resource base and concurrently appraising discoveries. We expect to drill approximately 18 exploration and appraisal wells in 2014 and 2015 to assess the South Lokichar Basin and up to six other tertiary rift basins in Kenya and have contracted three rigs and dedicated well-testing units to support this increase in activities.

Ethiopia



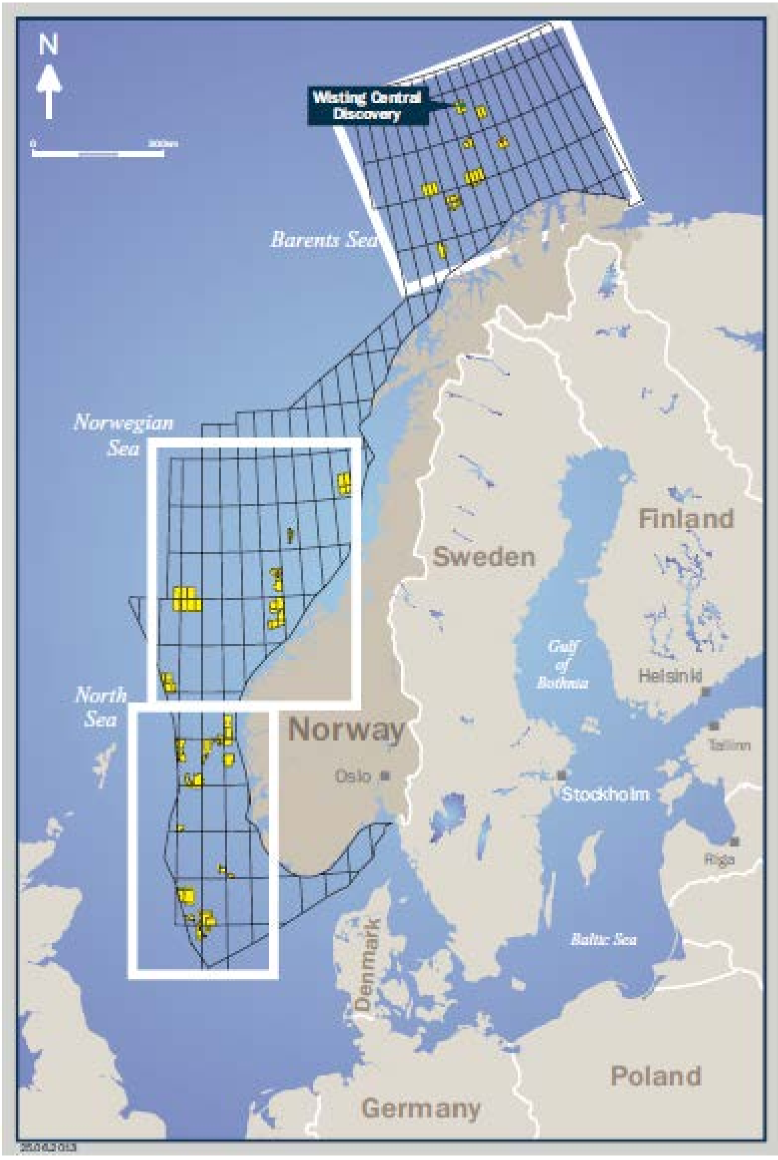
In Ethiopia, we have a 50% operating interest in the South Omo block. This is our northern-most interest in the Kenya-Ethiopia Rift system, which is a system where at least two independent basins have been identified. In January 2013, we commenced drilling Sabisa-1, the first ever well in this frontier acreage in the South Omo Basin. The well encountered reservoir quality sands, oil and heavy gas shows and a thick shale section. The presence of oil prone source rocks, reservoir sands and good seals is encouraging for the numerous fault bounded traps identified in the basin. We then drilled the Tultule-1 well, which encountered some gas shows. Discovering an oil prone basin is an important result for the remaining more than 30 leads and prospects identified to date. Numerous additional follow-up prospects have been mapped in this part of the South Omo Block and in the adjacent Chew Bahir Basin. We plan to test the Chew B'hir basin in 2014 with the Shimela-1 well.

Mauritania

In Mauritania we have interests in seven exploration licenses as well as three PSCs, operated by ourselves and Dana Petroleum. Our interests in the licenses range from 36% to 90%. Our acreage position in Mauritania was enhanced in April 2013, with the signing of a PSC for the shallow water C3 license area. This acreage sits inboard of our existing acreage, providing opportunities for follow-on exploration and further new plays in the medium to long-term. This is an underexplored area of the basin and the work commitments on the block will initially involve seismic studies to identify new prospects.

A two well exploration campaign to drill new deeper stratigraphic plays in the offshore Mauritanian basin commenced in August 2013. The first well, Fregate-1 in the C-7 license, encountered up to 30 meters of net oil and gas condensate pay in multiple sands in February 2014 and has been plugged and abandoned. Although the wildcat well was plugged and abandoned because we did not encounter commercial quantities, we believe it achieved a technical breakthrough by establishing a new oil play in deepwater Lake Cretaceous turbidites and we expect to analyze geological data further before planning follow-up activities. We are currently drilling the Tapendar-1 well.

Norway



We qualified as an operator on the Norwegian Continental Shelf in 2012. In January 2013, we completed the acquisition of Spring Energy Norway AS, giving us access to acreage in all three areas of the highly prospective Norwegian Continental Shelf—the North Sea, the Norwegian Sea and the Barents Sea. We were awarded three new licenses in the 22nd Norwegian Licensing Round in June 2013. The licenses lie in frontier areas of the west, north and central Barents Sea and we hold non-operated equities of 20-40%. Our exploration portfolio in Norway now extends across a total of 47 licenses. In connection with our acquisition of Spring Energy, we are required under the sale and purchase agreement to pay the previous owners a contingent consideration based on the recoverable resources from four operated wells drilled during 2013 through 2015. This contingent consideration is capped at $300 million in total, with a cap of $150 million for each individual prospect. Based on the drilling results on two of the four operated wells, and subject to further appraisal drilling, we expect that up to $150 million of contingent consideration may be payable in late 2015.

We expect to drill approximately five wells in our Norwegian portfolio in 2014. In September 2013, we made our first discovery in Norway, successfully drilling the Wisting Central well in the Barents Sea, opening the new Hoop- Maud Basin. This discovery will be appraised this year and we believe de- risks similar shallow-water prospects in the license.

Disposals

We are in the process of selling, or are planning to sell, our assets (including our interests in licenses) in the U.K. and Dutch Southern North Sea and Pakistan and sold our Bangladesh assets in December 2013. For an overview of the licenses, acreage under license, commercial reserves, contingent resources, production and sales revenue our U.K. and Dutch Southern North Sea, Pakistan and Bangladesh businesses contributed to our results as of and for the year ended December 31, 2012 and 2013, see “Presentation of financial and other information—Sale of assets.”

Competition

The oil and natural gas industry is highly competitive, and we compete with a substantial number of other companies, many of which have greater resources than we do. Many of these companies explore for, produce and market oil and natural gas, carry on refining operations and market the resulting products on a worldwide basis. Our competitors include national oil companies, major international oil and gas companies and independent oil and gas companies. The major national and international oil companies in Africa and the Atlantic Margins include, among others, Addax Sinopec, Anadarko, BP, BG Group, Chevron, CNOOC, Eni, ExxonMobil, PTTEP, Sasol, Shell, Statoil and Total. The oil and gas business is highly competitive in the search for and acquisition of reserves, in the procurement of rigs and other production equipment, in the production and marketing of oil and gas and in the recruitment and employment of qualified personnel. See "Risk factors—Risks relating to our business—We depend on our board of directors, key members of management, independent experts, technical or operational service providers and on our ability to retain and hire such persons to effectively manage our growing business."

The primary areas in which we encounter substantial competition are in locating and acquiring desirable acreage for our drilling and development operations, locating and acquiring attractive producing oil and natural gas properties and obtaining equipment for drilling operations. In addition, we compete with oil and gas companies in the bidding for exploration and production licenses, PSCs, farm-ins and other contractual interests in licenses that are made available by governments or are for sale by third-parties. Competition for such assets is likely to come from companies already present in the region in which the exploration and production licenses are located as well as new entrants. For example, the competition for East African assets became much stronger in 2012 following our basin-opening oil discovery in Kenya and major gas finds offshore Mozambique and Tanzania by other operators. License bid rounds globally have also become increasingly competitive, particularly in South America. Competition also exists between producers of oil and natural gas and other industries producing alternative energy and fuel, such as solar and wind.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the governments of the jurisdictions in which we operate. It is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon our future operations. Such legislation and regulations may, however, substantially increase the costs of exploring for, developing, producing or marketing natural gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted. See "Risk factors—Risks relating to the countries in which we do Business—Licensing and other regulatory requirements in the countries in which we do business may be subject to amendment or reform which could make compliance with these requirements more challenging." For further discussion on specific regulations applicable to our business in Ghana and Uganda, see "Certain regulatory regimes."

Marketing and offtake

Sales of crude oil from the Jubilee field contributed approximately 48% of our total oil and gas revenues in 2013, up from 42% in 2011 and 43% in 2012. Our Jubilee cargos were sold under arrangements through our marketer, Vitol, to 7 different end users in 2013. Key buyers in that year included ExxonMobil, Total, Petronas and Sinochem. For the 2013 cargos for which payments were made by Vitol, letters of credit from five banks rated Baa1/A- or better by Moody's and Standard & Poor's were posted and none of these cargos represented more than 9.3% of our annual Jubilee revenue. In 2013, when 12 of our Jubilee field cargos were lifted, the cargos were delivered to at least 7 refineries in Europe, China and South Africa. For the year ended December 31, 2013, approximately 42% of our Jubilee revenues were from direct contracting with "A" rated buyers. See "Management's discussion and analysis of financial condition and results of operations—Qualitative and quantitative disclosures about market risk—Credit risk management."

In 2012, sales of cargos were made to more than 15 buyers, comprising principally major oil companies (such as Shell), international trading companies (such as Mercuria), joint venture operators (such as Perenco) and energy utilities (such as Centrica). No purchaser accounted for more than 10% of our total revenues in either 2012 or 2013.

Commodity hedging

We use derivative financial instruments to limit our exposure to fluctuations in oil and gas prices. We have an active commodity hedge program under which we hedge our sales volumes on a graduated three-year rolling basis. Our target hedge levels are 60%, 40% and 20% in the forward first, second and third years, respectively, using a mix of plain vanilla derivative products to protect against downside risks while retaining some upside exposure. Our budgeted net entitlement volumes are currently hedged at 61% for 2014, 43% for 2015, 23% for 2016 and 2% for 2017, with downside protection at $84/bbl, $83/bbl, $83/bbl and $85/bbl in 2014, 2015, 2016 and 2017, respectively. See "Risk factors—Risks relating to our business—We may engage in hedging activities from time to time that would expose us to losses should markets move against our hedged positions."

Field and commercial partners

The majority of our assets are owned, explored and developed through commercial partnerships with international and national oil and gas companies. When we evaluate whether to enter into a partnership or joint venture, we seek prospective commercial partners who will complement our existing strengths. In particular, we seek commercial partners with technical expertise in refining or engineering that we do not possess or who own useful infrastructure such as pipelines. Additionally, we aim to work with commercial partners who have strong, existing relationships with the government in the jurisdiction in which the development is planned. We conduct thorough business and financial diligence on all of our prospective commercial partners and strive to ensure they will be able to finance their portion of the development.

During the life-cycle of the commercial partnership or joint venture, we often have a very active role in the technical, financial and administrative management of operations including in situations in which we do not take on an official operator role. We typically maintain involvement with many aspects of operations and provide draft compliance reports and other required government submissions. We work closely with our commercial partners to ensure that we remain in compliance with the ongoing obligations under the licenses or agreements pursuant to which we operate. For a discussion of certain risks associated with our reliance on commercial partners, see "Risk factors—Risks relating to our business—We conduct some of our operations with commercial partners which may increase the risk of delays, additional costs or the suspension or termination of the licenses or the agreements that govern our assets."

Seasonality

Seasonal weather conditions and lease stipulations can limit our drilling and producing activities and other oil and natural gas operations in certain areas. These seasonal anomalies can increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay our operations. See "Risk factors—Risks relating to the oil and gas industry."

Social Responsibility

Local Content and Employing Local People

In the year ended December 31, 2013, we spent $217 million with companies that are owned by local nationals. Our supply chain creates opportunities for local companies and labor forces to participate in the oil and gas sector, both directly and indirectly, and helps to align our social investment strategy with the economic development and local capacity needs of the countries in which we do business. In many cases, because these countries are new to the oil and gas sector, local companies are not yet able to operate to industry standards and specifications. To help further the development of the industry, we run supplier development programs to explain statutory requirements, safety and auditing standards and workshops to help them to understand our tender process.

We are also building in-country training capacity to support international working standards for the long-term. We have set up an Enterprise Development Center near our operations in Uganda to support local companies that want to get involved in the oil and gas supply chain and have set up a similar center in Ghana with our Jubilee Field partners.

We seek to train and bring on board employees who are nationals of the countries in which we do business. As of December 31, 2013, we had a total global workforce of 2,034 employees and contractors, over 50% of whom work on our African operations. In total, 85% of our employees in African countries where we operate are local nationals.

Social Performance and Social Investment

One of our fundamental corporate values is to work with integrity and respect for people and the environments in which we do business. The quality of our relationships with host governments, local communities, civil society organizations and other stakeholders is vital to our long-term business success. These groups and individuals may be directly impacted by our activities, or may influence execution of our growth strategy, and failure to manage our relationships with them can expose us to significant business risks. These risks can include project delays and disruption, more onerous regulatory requirements and potentially the loss of our license to operate. We proactively manage our social impacts in the following ways:

- developing strong community relationships across all phases of our operations;
- socio-economic impact assessment and management; and
- delivering social investment projects aligned with regional or community development needs.

Our social investment projects focus on managing the social impacts associated with our operations and leveraging benefits that our industry can bring to communities and countries as a whole. As part of social impact management, we primarily invest in projects aimed at improving education, local content and capacity building. In the year ended December 31, 2013, we invested $17.4 million in discretionary social projects. This included granting more than 100 international scholarships in oil and gas related studies for students from countries where we do business.

Environment

We are committed to protecting the environment for current and future generations and ensuring local communities, our employees and suppliers are kept safe and well. As we typically explore for oil and gas in frontier regions, we believe we have a responsibility to be aware of our impact on the environment and the measures we can take to mitigate this impact. In particular, we are focused on issues such as preventing oil spills, emergency response preparedness and protecting biodiversity. We are also working toward a greater understanding of our contribution to climate change at both a local and global level and currently track our atmospheric emissions from production, drilling and well test activities.

We continuously seek to enhance our environmental protection capacity, systems and processes. For example, we have increased oversight in our supply chain as most of the environmental breaches we have been associated with historically occurred in our supplier base or with contractors. Our board of directors has a dedicated EHS committee, which covers environmental protection. Environmental performance is also a component of our executive remuneration policy.

We are focused on our responsibility to manage our impact on the environment and strive to uphold international standards, including the IFC's performance standards, which are viewed as the benchmark for sustainable environmental and social management of major development projects. The IFC, as a lender under our RBL Facilities, plays an active role in monitoring our activities in Ghana. In addition, we look to establish strategic biodiversity partnerships, as demonstrated by our work with the Wildlife Conservation Society, which is surveying the coastal and offshore waters of Congo, Gabon and Equatorial Guinea to build a better understanding of the environment in which we carry out our operations.

Our operations are governed by comprehensive EHS policies and standards that all our staff, contractors, and suppliers must adhere to. One of our key standards is the Tullow Oil Environmental Standard which covers our approach to biodiversity, greenhouse gases, resource management and socio-economic impacts. Other key aspects of the EHS management system include the EHS Vision, EHS Policy, EHS Management Standards, our safety rules, our strategy for operating in sensitive areas and a drill fluids & cuttings disposal standard. Adhering to good international industry practice, complying with national environmental regulations and adhering to our own policies involve, but are not limited to the following:

- Our management system and ISO14001 certifications in Ghana, Uganda, South Africa, Bangladesh, United Kingdom and Ireland require us to commit to reducing and avoiding greenhouse gas emissions as well as demonstrate continual improvement in overall environmental performance;

- We conduct environmental and social impact assessments at each stage of a project life cycle to identify our potential impacts and risks and establish operational controls that aim to eliminate or limit such impacts and risks;

- We maintain a geographic information systems database, covering Africa and the Atlantic Margins, to provide high-level screening of environmental, biodiversity and social risk information for business development teams;

- We complete detailed site-specific assessments on environmental sensitivities that may impact our geophysical, drilling, development and production activities to enhance high level screening;

- We set environmental-related targets and measure, appraise and report performance against such targets; and

- We work to reduce waste generation and to ensure that waste disposal is done in a responsible manner without creating legacy issues and liabilities.

Health, safety and security

Keeping our employees, contractors and communities healthy and safe is a top priority. We develop and implement a consistent health strategy globally to help minimize health risks arising in the workplace and ensure the health and safety of our people. In the countries in which we do business, we work with local medical services to ensure facilities and standards of care meet our requirements. Where possible, we upgrade existing local facilities and provide training and equipment. This is often supported by a sustainable development plan that allows the running and maintenance of the facility to be returned to local government.

We have established safety cases for all operated production facilities and have robust emergency preparedness, incident management and business continuity plans in place. In 2013, we also introduced a requirement for IADC drilling HSE cases for all new drilling operations, both onshore and offshore.

We use a range of performance measures, including the recognized industry metric Lost Time Injury Frequency ("**LTIF**") to measure safety. We set annual targets for LTIF, which are agreed with our board of directors as part of overall company objectives. We have rigorous incident reporting procedures in place to monitor LTIF and near misses, including incident analysis, follow- up, remedial action and communication of results.

Our LTIF increased from 0.7 in 2012 to 0.8 in 2013 (17 LTIs). Similarly, the number of Total Recordable Injuries (TRIs) increased by 57% to 66 incidents in 2013 (2012: 42). This performance is partly attributable to the significant increase in our operational onshore footprint in countries where the oil and gas industry is nascent and safety standards are not as high as we would like. Through late 2013, our staff and contractors have undertaken activities with new equipment, worked on operations that are ramping up in scale and worked to embed new systems and train personnel. Through better on-boarding and management of new contractors we are working to improve the integration of new drilling contractors and facilities into our business in order to reduce the number of incidents across our operations. In 2013, there were 17 lost time incidents during 21.1 million man hours worked. Improvements in this area are one of our top priorities in 2014, including a 20% reduction target for LTIF, embedded in executive compensation schemes.

Our operations in certain territories often require careful consideration of any implications for human rights. We support the Voluntary Principles on Security and Human Rights ("VPSHR"), the only human rights guidelines designed specifically for oil, gas and mining companies, and began formal participation in the initiative in early 2013. Established in 2000, the VPSHR, an initiative by governments, non-governmental organizations and extractive and energy companies, provides guidance on maintaining the safety and security of operations and ensuring respect for human rights and fundamental freedoms. In Ghana, for example, the Ghanaian navy is contracted to maintain the security of the Jubilee field and to safeguard seafaring vessels by enforcing several "no go" zones around the offshore rigs. We have provided a "train the trainer" program to Ghanaian navy representatives, which adhere to the guidelines of the VPSHR, and provide an introduction to offshore oil and gas operations.

Land transport represents one of the most significant safety risks to our onshore operations. In 2013, we introduced a leading and lagging indicator aimed at improving our land transport safety record. The key performance indicators together with the new company-wide land transport policy and standard have helped increase road safety awareness, improve driving behaviors and led to a reduced number of driving incidents.

Good governance

We believe that revenues from natural resources can and should have a transformative effect on the future of emerging economies. We support transparency and disclosure as a vital first step in providing a country's citizens with information to enable them to hold their governments to account. We also think improved transparency is an opportunity to both demystify our industry and to highlight the full range of benefits that it can bring to a country.

Consistent with our commitment to revenue transparency and accountability, we began publishing our payments to national governments in 2012. In our 2013 Annual Report, we have published our payments in line with the EU Accounting Directive, ahead of forthcoming legal requirements to do so. We have also made a number of voluntary disclosures that go beyond the EU Accounting Directive, and by doing so we believe we are taking a leadership position on this important issue.

In the year ended December 31, 2013, our payments to governments, including payments in kind, amounted to $870 million (2012: $696 million). Payments to all major stakeholders including employees, shareholders, suppliers and communities brought our total socio-economic contribution to $1.6 billion for the year (2012: $1.3 billion).

Insurance

We maintain the types and amounts of insurance coverage that we believe are consistent with customary industry practices in the jurisdictions in which we operate. Our oil and gas properties and liabilities are insured within an operational energy insurance package. Coverage under the terms of this insurance package includes physical damage, operators extra expense (well control, seepage, pollution clean-up and re-drill) and third-party liabilities. Coverage is placed in respect of worldwide oil and gas exploration and production activities. Limits and deductibles in force are in line with international oil industry insurance standards. Where necessary, insurance policies are insured with resident insurance companies for each relevant venture and reinsured into international insurance markets with lead reinsurers with a minimum of an S&P A− rating or equivalent. We believe we have adequately provisioned for, or otherwise protected our operations against, business interruption risks consistent with customary industry practices. We procure business interruption insurance to protect against loss of production from our material assets.

Where applicable, construction all risks insurance coverage is procured in respect of development projects. Such coverage is generally for works executed anywhere in the world in performance of contracts wherein we are at risk including loss of, or damage to, the pipelines, risers, umbilicals, christmas trees and completions to be installed and liabilities to third-parties arising therefrom.

Our philosophy is to arrange such other insurance from time to time in respect of our other operations as required and in accordance with industry practice and at levels which we feel adequately provide for our needs and the risks that we face. We have not had any material claims under our insurance policies that would either make them void or materially increase their premiums. We cannot assure you, however, that our insurance coverage will adequately protect us from all risks that may arise or in amounts sufficient to prevent any material loss. See "Risk factors—Risks relating to our business—We do not insure against certain risks and our insurance coverage may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions."

Employees

As of December 31, 2011, 2012 and 2013, we employed 1,548, 1,778 and 2,034 full-time employees, which include long-term contractors. As of December 31, 2013, our employees were geographically diversified, with approximately 42% located in the United Kingdom and Ireland and more than 50% located in Africa, of which approximately 36% are located in Ghana and 18% are located in Uganda. We believe that employing local nationals is a core pillar of how we can help build capacity for a developing oil industry in host countries, as it creates a diverse team of committed and motivated employees who become advocates and ambassadors for us and the industry. It is also often a requirement under local law or the relevant production sharing contract, petroleum agreement or similar contract to employ nationals in petroleum operations. Our Business Unit leaders in Ghana, Uganda and Kenya are all local nationals.

The following table sets forth our full-time employees as of December 31, 2011, 2012 and 2013.

	As of December 31,		
	2011	2012	2013
Executive Directors	5	5	5
Administrative and technical	251	275	252
Operational	712	798	970
Corporate	580	700	807
Total	1,548	1,778	2,034

We believe that we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages. An industry-wide oil workers' strike in 2013 in Gabon that lasted several days was supported by employees of some of our contractors and temporarily disrupted output from a small number of fields. The vast majority of our employees are not covered by collective bargaining agreements or members of labor unions.

Bribery laws

We have consolidated anti-bribery policies in light of the guidance provided by the U.K. authorities following the introduction of the U.K. Anti-Bribery Act. We have implemented company-wide training on these policies.

Legal and arbitration proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business. Other than as discussed below, we are not, nor have we been during the past twelve months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on our financial position or profitability, nor, so far as we are aware, are any such proceedings pending or threatened.

Litigation to recover payment made to the Uganda Revenue Authority in respect of acquisition of Ugandan assets

In 2010, we acquired the Ugandan assets of Heritage pursuant to a sale and purchase agreement. In March 2011, the URA designated Tullow Uganda Limited as the agent in relation to this transaction, which required us to pay, on Heritage's behalf, $313.5 million to the URA. This sum represented the outstanding capital gains tax that the government of Uganda believed it was owed by Heritage in respect of the transaction.

As a result of being required to pay $313.5 million to the URA, we commenced proceedings in the U.K. High Court in London against Heritage and Heritage Oil plc to recover this sum under an indemnity in the sale and purchase agreement. The case was heard in March 2013 and in June 2013 the court ruled in favor of our claim in its entirety and dismissed Heritage's counterclaim.

As a result of this judgment, Heritage paid us $345.8 million in August 2013, reflecting the original $313.5 million indemnity claim, plus interest. However, Heritage sought permission from the Court of Appeal to appeal the judgment, and in September 2013 the Court of Appeal granted this permission. If Heritage's appeal succeeds, we may be required to return all, or part, of the $345.8 million that Heritage has paid us. An appeal hearing is scheduled for May 2014, with judgment expected in the autumn. Based on external legal advice, we believe the most likely outcome of the appeal is an award in our favor.

Litigation over capital gains assessment by the Uganda Revenue Authority related to the Ugandan farm-downs

In 2011, the URA assessed us for $473 million in capital gains taxes on the farm-down of our Ugandan assets to CNOOC and Total. In March 2011, we filed an appeal at the Ugandan Tax Appeals Tribunal ("**TAT**") in Kampala, disputing this assessment.

In February 2012, we paid $142 million to the URA, representing 30% of the assessed capital gains liability. This payment was required under Uganda law in order for us to dispute the URA's assessment. The parties submitted their oral evidence at TAT hearings in Kampala in November 2012 and February 2013 and written submissions were made in July and September 2013. The TAT's ruling on the case is expected in May 2014.

In addition, we believe that the URA has failed to apply an express tax exemption contained in the production sharing agreement for Exploration Area 2, which could relieve us from any capital gains tax payable in respect of that asset farm-down. This contractual claim is now the subject of ICSID arbitration proceedings with the government of Uganda.

We filed a Request for Arbitration with ICSID on September 11, 2013 and this was registered by ICSID on September 26, 2013.

It is possible that the TAT may not find in our favor such that we would be required to make a tax payment of $399 million (the amount which we believe is the most likely result of the Tribunal process in the event that it does not find in our favor) in the first half of 2014. However, based on external legal advice, we believe that it is probable the International Arbitration will result in an award in our favor. The TAT and International Arbitration proceedings have been viewed in aggregate as a single unit of account in line with our accounting policy. As we believe the most probable outcome from the full legal process is that no liability will arise, the $399 million has not been recorded as a liability in our consolidated financial statements as of and for the year ended December 31, 2013. If a payment is required in respect of the proceedings before the TAT, a receivable relating to the probable reimbursement arising as a result of the International Arbitration proceedings will be recorded. The possible risk of us being unsuccessful at both the TAT and International Arbitration has been disclosed as a contingent liability in our consolidated financial statements as of and for the year ended December 31, 2013.

Material agreements relating to our assets

In this section, where a defined term is used in reference to various contracts, it has the meaning for the relevant sub-section in which it is defined.

Ghana

In Ghana we have interests in two petroleum agreements, the West Cape Three Points petroleum agreement and the Deepwater Tano petroleum agreement. Since 2007, part of the area covered by each of the two agreements has been unitized. See “Certain regulatory regimes—Ghana.”

West Cape Three Points

Petroleum agreement

The West Cape Three Points Petroleum Agreement (“**WCTP PA**”) was entered into on July 22, 2004 between the Republic of Ghana, GNPC, Kosmos Energy Ghana HC (“**Kosmos**”) and the EO Group (“**EO**”). The WCTP PA has been amended from time to time to reflect various changes in parties and interests under the WCTP PA.

The term is 30 years from ratification by the government of Ghana at the end of which the parties may negotiate a further agreement. The WCTP PA calls for the establishment of a joint management committee comprised of four members of whom two (including the chairperson) are required to be representatives of the GNPC with the other two being representatives of the other non- government parties to the contract. Decisions of the joint management committee require unanimity except in relation to work programs, budgets and day- to-day operational matters associated appraisal, development or production operations which only require the consent of the representatives of such non-government parties.

The royalty rate for crude oil is 7.5%, or the cash equivalent. If crude oil is located at water depths greater than 200 meters or if the API gravity of the crude oil is less than 20, then the royalty rate is 5%, or the cash equivalent. The royalty rate for natural gas is 5%. The WCTP PA also calls for additional taxes pursuant to an income tax rate of 35%, payments for rental of government property or public lands, certain amounts for surface rentals and other minor taxes, duties, fees and imposts. The parties are required to supply crude oil to meet domestic supply requirements. Such domestic supply obligation is capped at 25% of an individual party’s total entitlement after deduction of royalties.

The Ghanaian government is entitled to additional oil entitlements from the non-government parties’ (excluding GNPC) share of petroleum on the basis of the rate of return achieved by such non-government parties during development and production operations only when they have recovered all of their costs. The rate of return is calculated based on a formula in the WCTP PA. The calculation of the value of crude oil is determined based on a variety of factors, including whether the crude oil was sold in an arm’s length transaction, market prices and the quality of the crude oil sold.

GNPC holds a 10% participating interest (which is carried throughout the exploration and development phase and only becomes a paying interest during the production phase). GNPC also has the option to acquire an additional paying interest of 2.5% in a commercial discovery by paying its proportionate share of all future petroleum costs and is the sole and unconditional owner of all equipment and other assets used during petroleum operations.

Joint operating agreement

The West Cape Three Points Joint Operating Agreement ("**WCTP JOA**") was entered into on July 22, 2004 between Kosmos and EO. The WCTP JOA has been amended from time to time to reflect the changes of parties and their interests under the WCTP PA and consequently the WCTP JOA. Kosmos is designated as operator.

The WCTP JOA establishes an operating committee comprised of one representative appointed by each party holding a participating interest. Decisions require an affirmative vote of at least two parties collectively holding at least 60% of the participating interests.

The WCTP JOA provides for non-consent rights where proposed operations do not relate to minimum work obligations so that if a party voted against a proposal approved by the operating committee it is entitled not to participate in the operation.

Any transfer of rights under the WCTP PA is subject to the prior written consent of each party, such consent not to be unreasonably denied.

The following table sets forth the current parties together with participating interests ("**PI**") and relevant carry obligations. The GNPC is not a party to the WCTP JOA.

Party	**PI**	**PI with GNPC carry**	**PI with GNPC carry + additional interest**
Tullow Ghana	29.32888%	26.39600%	25.66278%
Kosmos	34.30556%	30.87500%	30.01736%
Anadarko	34.30556%	30.87500%	30.01736%
Sabre	2.06000%	1.85400%	1.80250%
GNPC	—	10.0000%	12.5000%
Total	100.0000%	100.0000%	100.0000%

Deepwater Tano

Petroleum agreement

We entered into the Deepwater Tano Petroleum Agreement ("**DWT PA**") on March 10, 2006 between the Republic of Ghana, GNPC, Kosmos and Sabre. The DWT PA has been amended from time to time to reflect various changes in parties, interests and technical operator.

The term is 30 years from ratification by the government of Ghana, at the end of which the parties may negotiate a further agreement. The DWT PA calls for the establishment of a joint management committee comprised of eight members of whom four (including the chairperson) are required to be representatives of the GNPC with the other four being representatives of the other non-government parties to the contract. Decisions of the joint management committee require unanimity, except in relation to budget and day-to-day operational matters associated with appraisal, development or production operations that the non-government parties are required to fund in full, which only require the consent of the representatives of such non-government parties.

The royalty rate for crude oil is 5%, or the cash equivalent. If crude oil has an API gravity of less than 18 degrees, then the royalty rate is 4%. The royalty rate for natural gas is 3%, or the cash equivalent. The DWT PA also calls for additional taxes pursuant to an income tax rate of 35%, payments for rental of government property or public lands, certain amounts for surface rentals and other minor taxes, duties, fees and imposts. The parties are required to supply crude oil to meet domestic supply requirements; however, such domestic supply obligation will not exceed an individual party's total entitlement of the gross production of crude oil after deduction of royalties.

The Ghanaian government is entitled to additional oil entitlements from the non-government parties share (excluding GNPC) of petroleum on the basis of the rate of return achieved by the non-government parties during development and production operations only when they have recovered all of their costs. The rate of return is calculated based on a formula in the DWT PA. The calculation of the value of crude oil is determined based on a variety of factors, including whether the crude oil was sold in an arm's length transaction, market prices and the quality of the crude oil sold.

GNPC holds a 10% participating interest (which is carried throughout the exploration and development phase and only becomes a paying interest during the production phase). GNPC also has the option to acquire an additional paying interest of 5% in a commercial discovery by paying its proportionate share of all future petroleum costs.

Joint operating agreement

We entered into the Deepwater Tano Joint Operating Agreement ("**DWT JOA**") on July 29, 2006 with Sabre and Kosmos. The DWT JOA has been amended from time to time to reflect the changes of parties and their interests under the DWT PA and consequently the DWT JOA. We are designated as operator.

The DWT JOA establishes an operating committee comprised of one representative appointed by each party holding a participating interest. Decisions require an affirmative vote of two or more parties collectively holding more than 66% of the participating interest (apart from decisions which do not involve all parties or proposals to amend or terminate the DWT PA, which require a unanimous vote).

The DWT JOA provides for non-consent rights where proposed operations do not relate to minimum work obligations, so that if a party voted against a proposal approved by the operating committee it is entitled not to participate in the operation. The operator must notify the other parties with respect to any commitment or expenditure for the joint account in excess of $100,000 which applies to an exploration, appraisal, development or production work program and budget (but not including minimum work obligations, workovers or wells and general administrative costs which are listed separately in an approved work program and budget).

Transfers of all or part of a party's participating interest under the DWT JOA are subject to the rights of first refusal of the remaining parties, with the exception of transfers to affiliates.

The following table sets forth the current parties together with participating interests and relevant carry obligations. The GNPC is not a party to the DWT JOA:

Party	PI	PI with GNPC carry	PI with GNPC carry + additional interest
Tullow Ghana	55.5%	49.95%	47.175%
Kosmos	20.0%	18.00%	17.000%
Anadarko	20.0%	18.00%	17.000%
Sabre	4.5%	4.05%	3.825%
GNPC	—	10.00%	15.000%
Total	100.0000%	100.0000%	100.0000%

Unitization and unit operating agreement

On July 13, 2009, the GNPC entered into a Unitization and Unit Operating Agreement (the "**2009 Jubilee Agreement**") with Tullow Ghana, Kosmos, Anadarko, Sabre and EO to develop, operate and exploit, as a single unit, the Jubilee Field which crosses the boundary between the West Cape Three Points and Deepwater Tano contract areas. The 2009 Jubilee Agreement covers the Jubilee Field unit area. Each party's interest in such unit area is based on its participating interest in the WCTP contract area, its participating interest in the DWT contract area and the portion of each of these contract areas that falls within the unit area, as may be redetermined from time to time.

Under this agreement, we are designated as unit operator but each party is responsible for all fees, taxes and other payments due to the government of Ghana under the WCTP PA and DWT PA (as discussed above).

The 2009 Jubilee Agreement provides for the establishment of a unit operating committee which oversees unit operations and is comprised of one representative from each party. Decisions of the unit operating committee require the affirmative vote of two or more parties (who are not affiliates) holding collectively at least 80% of the unit interests. Certain key matters require the unanimous approval of the parties, including any decision to expand the unit area and voluntary termination of unit operations.

If a party transfers an interest in either of the WCTP PA or DWT PA and corresponding joint operating agreements, it must also transfer a corresponding interest in the 2009 Jubilee Agreement.

The unit interest of the parties in the Jubilee Field may change following a redetermination. The 2009 Jubilee Agreement provides for periodic windows in which partners may call for redetermination, or allows parties holding at least a 10% unit interest to request a redetermination in certain circumstances. Following a redetermination, the participations of the WCTP contract area and the DWT contract area in the Jubilee Field may be adjusted to reflect additional or better data, which will lead to a corresponding change in the unit interests of the parties and correction to their shares of costs incurred and entitlement. On October 18, 2011, each party's interest in the Jubilee field was redetermined (the "**Jubilee Redetermination**"). The following table sets out the allocation of both entitlement to production and percentage share of unit costs for each party with respect to the portion of each of the West Cape Three Points and Deepwater Tano contract areas that fall within the unit area and their aggregate unit interest in the Jubilee field as a result of the Jubilee Redetermination. The next window in which partners may call for redetermination is in 2017. The last such window was in December 2013 and no redetermination was called. Any party to the Jubilee Agreement may call a redetermination at any time if justifiable under the contract, such as an expected field extension outside the Unit Area based on new well information or similar data

Party	DWT Interest	WCTP Interest	Unit Interest in Jubilee
Tullow	47.1750%	25.66278%	35.47952%
Kosmos	17.0000%	30.01736%	24.07710%
Anadarko	17.0000%	30.01736%	24.07710%
Sabre	3.8250%	1.80250%	2.72544%
GNPC	15.0000%	12.5000%	13.64084%
Total	100.0000%	100.0000%	100.0000%

The following table sets forth each party's responsibility with respect to development expenses under the Jubilee Redetermination:

Party	DWT Development Expenses Responsibility	WCTP Development Expenses Responsibility	Aggregate Development Expenses Responsibility
Tullow	52.7250%	28.59566%	39.60670%
Kosmos	19.0000%	33.44792%	26.85484%
Anadarko	19.0000%	33.44792%	26.85484%
Sabre	4.2750%	2.00850%	3.04278%
GNPC	5.0000%	2.50000%	3.64084%
Total	100.0000%	100.0000%	100.0000%

Equatorial Guinea

Ceiba field and Okume Complex

We have development and production interests in two Hess Corporation operated licenses offshore Equatorial Guinea, encompassing the Ceiba field and the Okume Complex. We acquired such interests through our acquisition of Energy Africa in 2004.

Production sharing contract

The Production Sharing Contract for Block F (containing the Okume Complex) and the Production Sharing Contract for Block G (containing the Ceiba field) were each entered into on March 26, 1997 between the Republic of Equatorial Guinea represented by the Ministry of Mines and Energy of the Republic of Equatorial Guinea ("**Equatorial Guinea**") and Triton Equatorial Guinea, Inc. ("**Triton**") as the contractor. The production sharing contract for Block G was amended on December 15, 2005, such that the boundaries of Block G were amended to include the Okume Complex and Block F was subsequently relinquished (together with the production sharing contract for Block G the "**Equatorial Guinea PSC**"). The Equatorial Guinea PSC has been amended from time to time to reflect various changes including as to parties, royalty rates and share of production.

The term of the Equatorial Guinea PSC with respect to a field is thirty years for crude oil and forty years for natural gas, starting on the date of approval as to a commercial discovery from the Ministry of Mines and Energy.

The royalty rate for crude oil ranges from 11% to 16% depending on daily production volumes. The applicable rate increases as production increases. The royalty rate for natural gas production is 10%.

The Equatorial Guinea PSC requires the contractor to pay certain taxes, including income tax, and an annual surface rental fee of $2 per hectare for the contract area. Bonuses ranging from $750,000-$4,000,000 are payable by the contractor to the government of Equatorial Guinea upon each of a declaration of a commercial discovery and daily production from a field reaching certain thresholds for 60 consecutive days.

If so required by the government, the contractor shall sell crude oil to the government of Equatorial Guinea at market rates to meet domestic supply demands.

The contractor is entitled to recover petroleum costs equal to up to 70% of the annual field petroleum production as cost petroleum, following deduction of the royalty. Petroleum costs incurred in a field in excess of production from such field cannot be transferred to another field. Approved work program costs not attributable to a specific field, can be recovered against the production from a field in the contract area.

After deduction of the royalty and cost petroleum, the remaining crude oil is profit oil and is allocated, on a field basis, between the government of Equatorial Guinea and the contractor. The government receives a minimum of 20% of such profit oil and can receive a higher percentage as production volumes increase, up to a maximum of 60%.

Joint operating agreement—Block G

The Joint Operating Agreement for Block G was entered into on June1, 1999 between Triton Equatorial Guinea, Inc. and Tullow Equatorial Guinea Limited, formerly Energy Africa Equatorial Guinea Limited, and was subsequently amended and restated on January 1, 2000 (the "**Block G JOA**"). The same parties also signed the Joint Operating Agreement for Field Development and Production for Block G which was confirmed and ratified on January 1, 2001, which came into effect with respect to the Ceiba Field and Okume Complex on the date the development plans for these fields were approved (the "**Block G Field JOA**" and with the Block G JOA, the "**Block G JOAs**"). Hess, formerly Triton, was designated as, and is currently, the operator under the Block G JOAs.

Each of the Block G JOAs establishes an operating committee comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of parties holding collectively at least 70% of the participating interests. The Block G JOA provides that if there are three or more parties, the vote of at least two parties is required, while the Block G Field JOA provides that if there are four or more parties then the vote of at least three parties is required. Certain decisions require the unanimous consent of the parties, including surrender of all or any part of the field or contract area which is not required under the related production sharing contract.

Under the Block G Field JOA, expenditures relating to the 5% participating interest held by the government are carried by Hess and Tullow.

Each party can transfer its interest in each of the Block G JOAs provided that no transfer results in the transferor or the transferee holding less than a 10% interest unless otherwise agreed and subject to receipt of government consents and the consent of the co-venturers to the applicable Block G JOA. If a party transfers an interest in the Block G Field JOA, it must also transfer a corresponding interest in the Block G JOA.

The following table sets forth current parties to the Block G JOAs together with their participating interests:

Party	**PI in Block G Field JOA**
Tullow	14.25%
Hess	80.75%
GEPetrol	5.00%
Total	100.000%

Cote d'Ivoire

Espoir

Production sharing contract

On December 20, 1995, the government of Côte d'Ivoire entered into a production sharing contract with respect to offshore Block CI-26 with Addax Petroleum Côte d'Ivoire Limited ("**Addax**") and Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire ("**Petroci**") as the contractor (the "**Espoir PSC**"). The Espoir PSC has been amended from time to time to revise certain provisions and also reflect various changes in parties and interests within the contractor group which is now comprised of three entities (Petroci, CNR and us). CNR is the operator. In the event of a commercial discovery, the contractor is entitled to an exclusive exploitation permit, such permit will have a 25 year term, which may be extended by 10 years and extended further thereafter depending on production levels.

The contract area is divided into Special Zone "E" and the area Outside of Special Zone "E." Special Zone "E" was designated as such because it contains the Espoir Field.

Petroci has a 20% participating interest under the Espoir PSC in Special Zone "E" and pays no petroleum costs with respect to half of such interest. Under the Espoir PSC, the contractor is entitled to recover annually costs incurred in petroleum operations (which includes exploration, appraisal, development and exploitation costs) as follows : (i) in Special Zone "E," it can use up to 80% of crude oil production in a year from a field to cover petroleum costs and (ii) in the area outside of Special Zone "E," it can use between 60% and 80% of crude oil production in a year to cover petroleum costs, subject to the water depths from which the crude oil is obtained. If the field operating costs recovery cap is reached in a year, additional costs can be rolled over for recovery in subsequent years. After the deduction of petroleum costs, the remaining crude oil is profit oil and is distributed between the government of Côte d'Ivoire and the contractor. The government receives a minimum of 50% of such profit oil and can receive a higher percentage as production volumes increase, up to a maximum of 75%.

The same percentages apply for the sharing of gas production, using a conversion rate of one-barrel to either 5,000-cubic-feet or 7,500 cubic feet, depending on the water depths from which the gas is obtained. The contractor's percentage share of the profit oil reduces as production increases and it is proportionately higher in greater water depths.

The government's share of petroleum includes an amount required to cover the contractor's tax obligation in Côte d'Ivoire. The value of the amount of the government's share of petroleum needed to cover such tax is determined using the market value of the petroleum.

The contractor (excluding Petroci) must pay the government bonus amounts when cumulative production in an exploitation area reaches certain levels. Bonus amounts, which range from $2 million to $3 million, are not cost recoverable.

Each year the contractor is required to sell to the government up to 10% of its crude oil and natural gas production to meet domestic supply requirements. The sale price is determined to be equal to 75% of the market value of such production (with the 25% differential being cost recoverable).

Joint operating agreement

The Espoir Joint Operating Agreement ("**Espoir JOA**") was entered into on October 24, 1997 between Petroci, Ranger Oil Côte D'Ivoire S.A.R.L. (now CNR International Côte d'Ivoire S.A.R.L.), Addax Petroleum Côte D'Ivoire Limited and Tullow Côte D'Ivoire Limited. The Espoir JOA has been amended from time to time to reflect the changes of parties and their interests under the Espoir PSC and consequently the Espoir JOA and currently CNR is the operator.

The Espoir JOA establishes an operating committee comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions require an affirmative vote of three or more parties collectively holding at least 51% of the participating interests. Certain decisions require the unanimous vote of the parties, such as the surrender of all or part of an area where such surrender is not a mandatory requirement under the Espoir PSC.

Any transfer of rights under the Espoir JOA is subject to receipt of any government consents and receipt of co-venturer consent. Where the proposed assignment of an interest is to an entity which is neither an existing Espoir JOA party nor an affiliate (nor an entity to which Petroci is instructed to transfer an interest by the government), it is subject to the pre-emption rights of the other Espoir JOA parties.

The following table sets forth the current parties to the Espoir JOA together with their participating interests:

Party	**PI inside Special Area "E"**	**PI outside Special Area "E"**
Tullow	21.3333%	24%
CNR	58.6666%	66%
Petroci	20.0%	24%

Uganda

Exploration Area 2

Production sharing agreement

On October 8, 2001, the government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Hardman Petroleum Africa NL and Energy Africa Uganda Limited (the "**Area 2 PSA**"). The parties to the Area 2 PSA are now Tullow Uganda Operations Pty Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd (the "**Licensees**").

For the Area 2 PSA to remain in effect, a valid exploration license or production license covering all or part of the contract area needs to have been awarded. A production license issued under the Area 2 PSA will have a 25- year term, and may be renewed for a further period of up to 5 years.

The Area 2 PSA provides that if, during the term of an exploration license, a discovery is made which could be developed and brought into early production to satisfy domestic consumption requirements in Uganda, the government and the Licensees shall meet to determine if such development and production would be economically and technically feasible and, if feasible, the government would purchase production at the market rate. Early production under the Area 2 PSA and the other Uganda PSAs described below has not occurred.

The government is entitled to receive a royalty on gross daily production on a scale ranging from 5%-12.5% based on production volume.

The Licensees are entitled to recover certain costs incurred in exploration, development and production operations as cost petroleum after the deduction of the royalty. Such recovery right is limited to 60% of oil production and 70% of natural gas production per year in each case after royalty deductions with unrecovered costs rolled forward for possible recovery in subsequent years. Following cost recovery in any year, the remaining production is profit oil to be divided among the Licensees and government of Uganda in a manner in which the government receives 40%-65% depending upon production volume.

The Licensees are obliged to pay income taxes in addition to any royalties.

The government, or its nominee, may exercise a back-in right of up to a 15% participating interest, in which case the Licensees will carry the government's (or its nominee's) share of costs (which are cost recoverable). In its response to the production license application in respect of the various discoveries in Exploration Area 2 the government has notified us that it intends to exercise its back-in right.

The Area 2 PSA gives the Licensees the right to transport petroleum to an ocean port. To implement this provision, the contract entitles the Licensees to construct, operate and maintain an export pipeline, pumping stations, storage and related seaboard terminal facilities. Further, given that Uganda is landlocked, the government agrees to assist the Licensee in negotiating rights of way and other conditions relating to the construction, operation and maintenance of such facilities in relevant neighboring countries. The construction, operation and maintenance of such facilities, including responsibility for transporting petroleum, may be given to a separate pipeline company, which will charge a transportation tariff. See "Risk factors—risks relating to the countries in which we do business—Licensing and other regulatory requirements in the countries in which we do business may be subject to amendment or reform which could make compliance with these requirements more challenging."

The Licensees are entitled to purchase at the market rate: (i) the government's (or its nominee's) entitlement to production, and (ii) subject to Ugandan domestic supply requirements or government sales, the government's profit oil take. The government may purchase the Licensees' share of crude oil at the market rate to satisfy domestic supply requirements, in which case it must take a share of production proportionately from all Licensees. The Area 2 PSA further provides that if there is early production (as described above), such government purchase will reduce the Licensees' subsequent obligation to supply crude oil for domestic supply requirements.

Joint operating agreement

On February 21, 2012, Tullow Uganda Operations Pty Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd entered into a joint operating agreement (the "**Area 2 JOA**") with us designated as operator.

The Area 2 JOA establishes an operating committee made up of one representative (and one alternate representative) from each party. The following decisions require the unanimous vote of the parties: (i) unitization of the contract area; (ii) amendment or voluntary termination of the Area 2 PSC, the Area 2 JOA or agreements pertaining to them; and (iii) voluntary relinquishment of any part of the contract area. The following decisions require the affirmative vote of two or more parties, which are not affiliates, holding collectively over 80% of the participating interests: (i) approval of a development plan; (ii) determination that a discovery is a commercial discovery; and (iii) approval of work programs and budgets. All other operating committee decisions require the affirmative vote of two or more parties, which are not affiliates, holding collectively over 55% of the participating interests.

Parties may assign a participating interest, but assignments are subject to receipt of government consent and the consent of each co-venturer. Further, co-venturers have pre-emption rights on any sale of such interests. Similar restrictions exist in the event of a transfer (whether directly or indirectly) of more than 10% of the voting rights held by a party.

Exploration Area 1

Production sharing agreement

On July 1, 2004, the government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Heritage Oil and Gas Limited and Energy Africa Uganda Limited (the "**Area 1 PSA**"). The parties to the Area 1 PSA are now Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd (the "**Licensees**").

The material terms of the Area 1 PSA are substantially similar to those of the Area 2 PSA, other than with respect to those matters set out below.

Royalties on natural gas are expected to be negotiated on the discovery of gas. Profit oil will be divided in a manner in which the government receives 45%-67.5% depending upon production volume.

The government has not yet exercised its back-in right.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd entered into a joint operating agreement with respect to the Area 1 PSA (the "**Area 1 JOA**") with Total designated as operator. The material terms of the Area 1 JOA are substantially similar to those contained in the Area 2 JOA.

Exploration Area 1A

Production sharing agreement

On February 3, 2012, the government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Tullow Uganda Limited (the "**Area 1A PSA**"). The parties to the Area 1A PSA are now Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd (the "**Licensees**").

The material terms of the Area 1A PSA are substantially similar to those contained in the Area 2 PSA, other than with respect to those matters set out below.

The government is entitled to receive an additional royalty as a percentage of the value of recovered reserves calculated on the basis of gross total daily production in boepd on a scale ranging from 2.5%-15% depending on production volume. An additional royalty is payable on gas sold locally or exported, and is calculated by reference to the volume of gas sold on a scale ranging from 2.5%-15% according to recovered cumulative gas sales ranging from less than 300 bcf to more than 2 tcf.

Royalties (other than the additional royalty) on natural gas are expected to be negotiated on the discovery of gas. The Licensees' entitlement to cost recovery is calculated after both the royalty and the additional royalty are deducted. Following cost recovery in a year, the remaining production is profit oil to be divided between the government and the Licensee. The profit oil split under the Area 1A PSA follows the same percentage split as the Area 1A PSA.

The government has not yet exercised its back-in rights.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd entered into a joint operating agreement (the "**Area 1A JOA**") with Total designated as operator. The material terms of the Area 1A JOA are substantially similar to those in the Area 2 JOA.

Kingfisher Discovery Area

Production sharing agreement

On September 8, 2004, the government of Uganda, acting through the Ministry of Energy and Mineral Development, entered into a production sharing agreement with Heritage Oil and Gas Limited and Energy Africa Uganda Limited (the "**Kingfisher PSA**"). The parties to the Kingfisher PSA are Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd (the "**Licensee**").

A production license was issued on February 3, 2012 with respect to the Kingfisher Discovery Area. The license has a term of 25 years, and the Kingfisher PSA is an integral part of such license. A production license issued under the Kingfisher PSA may be renewed for a further period of up to 5 years. On September 16, 2013, the government approved the production license application for the Kingfisher Discovery Area, subject to certain conditions. The government also confirmed that it has exercised its back-in right giving it a participating interest of 15% in the Kingfisher Discovery Area.

The material terms of the Kingfisher PSA are substantially similar to those in the Area 2 PSA, other than with respect to those matters set out below.

Royalties on natural gas are expected to be negotiated on the discovery of gas. The cost recovery cap is 60% of oil production and 70% of natural gas production per year, in each case after deducting royalties, except with respect to the first oil field awarded a production license where the cost recovery cap is 65% of oil production. Profit oil will be divided among the Licensees and government of Uganda in a manner in which the government receives 43.5%-68.5% depending upon production volume.

Joint operating agreement

On February 21, 2012, Tullow Uganda Ltd, Total E&P Uganda B.V. and CNOOC Uganda Ltd entered into a joint operating agreement (the "**Kingfisher JOA**") with CNOOC designated as operator. The material terms of the Kingfisher JOA are substantially similar to those contained in the Area 2 JOA.

The parties each hold a one-third participating interest in each of the Uganda contract areas subject to the exercise by the government of its back-in rights (as described above).

Kenya

Block 10BB

Production sharing contract

On October 25, 2007, the government of Kenya and Africa Oil Turkana Limited (formerly the Turkana Drilling Consortium (Kenya) Limited) entered into a Production Sharing Contract for Block 10BB ("**10BB PSC**").

Tullow Kenya B.V. ("**Tullow Kenya**") became a party to the 10BB PSC on July 1, 2010 after acquiring a fifty percent (50%) interest in the rights and obligations of the Contractor from Africa Oil Turkana Limited pursuant to a farm-out agreement. Africa Oil Turkana Limited and Tullow Kenya together currently constitute the "**Contractor**" for the purposes of the 10BB PSC.

The 10BB PSC provided for an initial exploration period of three years, which was then extended by 18 months pursuant to i) a 12-month extension dated July 13, 2009; and ii) a further 6 month extension dated November 30, 2011, until July 2012. The parties are currently in the first additional exploration period which expires in July 2014, with a further two-year additional exploration period available thereafter during which the Contractor must complete further minimum work obligations which require a minimum expenditure of $18 million.

Once a commercial discovery is made the 10BB PSC will continue for a 25-year term with respect to a development area, as of the date a development plan has been approved by the government of Kenya.

The 10BB PSC requires the Contractor to comply with all income tax laws in Kenya, although the government of Kenya agrees to pay and discharge such taxes on behalf of the Contractor. The Contractor is also obliged to pay annual surface fees ranging from $5 per square kilometer to $30 per square kilometer depending on the phase of exploration and/or development and production, with the highest fee being charged during the development and production period.

The Contractor surrendered 30% of the original contract area at the end of the initial exploration period, as required under the 10BB PSC, and is obliged to surrender a further 30% of the remaining contract area at the end of the first additional exploration period. At the end of the second additional exploration period, the Contractor is obliged to relinquish the remaining contract area other than any development areas.

During the exploration periods, the Contractor is obliged to furnish the government of Kenya with bank and parent company guarantees in respect of the minimum exploration and work obligations. See "Management's discussion and analysis of financial condition and results of operations—Contractual obligations and contingent liabilities."

Domestic supply obligations apply in respect of the Contractor's share of crude oil. The quantity of crude oil which the Contractor is obliged to supply to the domestic market in Kenya is determined quarterly by reference to the portion that the Contractor's production bears to overall crude oil production in Kenya. The government of Kenya is required to pay the Contractor the fair market price for crude oil purchased for domestic consumption.

The government of Kenya has a participation/back-in right of up to 20% participating interest during exploration (where such interest is carried by the Contractor) and development (where costs applicable to such interest will be funded by the government of Kenya).

The Contractor is obliged to employ Kenyan citizens, and give preference to Kenyan goods and services, in the context of its petroleum operations subject to the local content being comparable with non-Kenyan materials and services in terms of price and quality. The Contractor is further obliged to contribute specified amounts to a government of Kenya-established industry training fund.

The Contractor is entitled to recover its petroleum costs (i.e., costs and expenditures incurred by the Contractor in exploration, development and production) up to an annual cap of 55% of all crude oil produced and saved from the development area(s) in the applicable fiscal year. Capital expenditure incurred in a development area is recoverable at a rate of 20% per annum. Following cost recovery, the remainder of production is then shared between the government of Kenya and the Contractor based on percentage splits determined by reference to the average daily production (with the government of Kenya percentage share increasing at higher production rates and the Contractor receiving between 45% and 22% of total production). Where the value of crude oil exceeds $50 per barrel (calculated on certain FOB delivery terms), the Contractor is required to pay the government of Kenya a "Second Tier Amount". Such amount is calculated in accordance with a formula based on the value of the crude oil and the Contractor's share of profit oil.

The 10BB PSC provides for economic stabilization in the event there is a change in law which substantially affects the economic benefits of the parties under the contract, by requiring the parties to make necessary adjustments to the relevant contractual provisions.

Joint operating agreement

On January 26 2011, Africa Oil Turkana Limited assigned a fifty percent (50%) participating interest in Block 10BB to Tullow Kenya and Tullow Kenya became a party to the Joint Operating Agreement for Block 10BB, such agreement being effective as of December 9, 2009 (the "**10BB JOA**") alongside Africa Oil Turkana Limited (30%) and Lion Energy Kenya (10BB) N.V (20%). On June 24, 2011, Africa Oil Corp acquired Lion Energy Ltd and Lion Energy Kenya (10BB) N.V assigned its ten percent (10%) participating interest in Block 10BB to Africa Oil Turkana Limited. The parties' current participating interests under the Block 10BB JOA are as follows:

Party	**PI in 10BB**
Tullow Kenya	50.00%
Africa Oil Turkana Limited	50.00%
Total	100.000%

Under the 10BB JOA, Tullow Kenya is designated as the operator.

The 10BB JOA establishes an operating committee to supervise and direct the joint operations conducted by the operator. The operating committee is comprised of one representative and one alternate representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of the parties holding collectively at least 70% of the participating interests.

The parties indemnify the operator from all liabilities incurred by the operator in the conduct of the joint operations save for gross negligence or willful misconduct by senior supervisory personnel of the operator.

The 10BB JOA requires the operating committee to approve Authorizations for Expenditure ("AFEs") for line items in excess of $0.5 million or $5.0 million depending on the particular phase of exploration, appraisal, development and production.

Restrictions apply to transfers of participating interests. A transfer resulting in a party holding less than a ten percent (10%) participating interest is not permitted. Further, any proposed transfer to a third party requires the prior written consent of the non-transferring parties (not to be unreasonably withheld) and the non-transferring parties will have a right of first negotiation (both at asset level and on a change of control) in respect of such transfer.

Block 13T

Production sharing contract

On September 17, 2008, the government of Kenya and Platform Resources Inc. ("**Platform**") entered into a Production Sharing Contract for Block 13T ("**13T PSC**").

Tullow Kenya became a party to the 13T PSC on February 22, 2011 after acquiring a fifty percent (50%) interest in the rights and obligations of the Contractor from Africa Oil Kenya B.V. pursuant to a Farmout Agreement. Africa Oil Kenya B.V. and Tullow Kenya together currently constitute the "**Contractor**" for purposes of the 13T PSC.

The 13T PSC provided for an initial exploration period of three years, which was extended by nine months until September 17, 2012. The Parties are currently in the first additional exploration period which expires September 2014, with a further two year additional exploration period available thereafter during which the Contractor must complete further minimum work obligations which require a minimum expenditure of $21 million.

The 13T PSC contemplates a 25-year development and production period once a commercial discovery is made and a development plan has been approved by the government of Kenya.

The 13T PSC requires the Contractor to comply with all income tax laws in Kenya, although the government of Kenya agrees to pay and discharge such taxes on behalf of the Contractor. The Contractor is also obliged to pay annual surface fees ranging from $3 per square kilometer to $50 per square kilometer depending on the phase of exploration and/or development and production.

The Contractor surrendered 25% of the original contract area at the end of the initial exploration period, and is obliged to surrender a further 25% of the remaining contract area at the end of the first additional exploration period. At the end of the second additional exploration period, the Contractor is obliged to relinquish the remaining contract area other than development areas that are the subject of an approved development plan, which will be retained.

During the exploration periods, the Contractor is obliged to furnish the government of Kenya with bank and parent company guarantees in respect of the minimum exploration and work obligations. See "Management's discussion and analysis of financial condition and results of operations—Contractual obligations and contingent liabilities."

Domestic supply obligations apply in respect of the Contractor's share of crude oil, with the government of Kenya to pay the Contractor full market price for such domestic supplies. The quantity of crude oil which the Contractor is obliged to supply to the domestic market in Kenya is determined quarterly by reference to the portion that the Contractor's production bears to overall production of all contractors in Kenya.

The government of Kenya, either itself or through a nominee (including the National Oil Company of Kenya), has a participation/back-in right of up to 22.5% during exploration (carried by the Contractor) and development (to be funded by the government of Kenya).

The Contractor is obliged to employ Kenyan citizens, and give preference to Kenyan goods and services, in the conduct of its petroleum operations subject to the local content being comparable in terms of price and quality. The Contractor is further obliged to contribute specified amounts to a government of Kenya-established industry training fund.

The Contractor is entitled to recover its petroleum costs (i.e costs and expenditures incurred by the Contractor in exploration, development and production.) up to an annual cap of 65% of all crude oil produced and saved from the development area(s) in the applicable fiscal year. Capital expenditure incurred in a development area is recoverable on a rate of 20% per annum. Following cost recovery, the remainder of production is then shared between the government of Kenya and the Contractor based on percentage splits determined by reference to the average daily production (with the government of Kenya percentage share increasing at higher production rates and the Contractor recovering between 50% and 25% of total profit oil). When the value of crude oil exceeds $50 per barrel (calculated on certain FOB delivery terms), the Contractor is required to pay the government of Kenya a "Second Tier Amount". Such amount is calculated in accordance with a formula based on the value of the crude oil and the Contractor's share of profit oil.

The 13T PSC provides for economic stabilization in the event there is a change in law which substantially affects the economic benefits of the parties under the contract.

Joint operating agreement

On February 22, 2011, Africa Oil Kenya B.V. assigned a fifty percent (50%) participating interest in Block 13T to Tullow Kenya.

A Joint Operating Agreement for Block 13T (the "**13T JOA**") was entered into on January 26, 2011 between Africa Oil Kenya B.V. and Tullow Kenya.

The parties' current participating interest in the 13T JOA are as follows:

Party	PI in 13T
Tullow Kenya	50.00%
Africa Oil Kenya B.V.	50.00%
Total	100.000%

Under the 13T JOA, Tullow Kenya is designated as operator.

The 13T JOA establishes an operating committee to supervise and direct the joint operations. The operating committee is comprised of one representative and one alternative representative appointed by each party holding a participating interest. Decisions, approvals and actions of the operating committee require the affirmative vote of representatives of the parties holding collectively at least 70% of the participating interests.

The parties indemnify, to the extent of their participating interest, the operator from all liabilities incurred by the operator in the conduct of the joint operations save for gross negligence or willful misconduct by senior supervisory personnel of the operator.

The 13T JOA requires the operating committee to approve authorizations for expenditure for line items in excess of $0.5 million to $5.0 million depending on the particular phase of exploration, appraisal, development and production.

Restrictions apply to transfers of participating interests. A transfer resulting in a party holding less than a ten percent (10%) participating interest is not permitted. Further, any proposed transfer to a third party requires the prior written consent of the non-transferring parties (not to be unreasonably withheld) and the non-transferring parties will have a right of first negotiation (both at asset level and on a change of control) in respect of such transfer.

Capital lease agreement—floating production storage and offloading unit

Tullow Ghana Limited ("**TGL**") entered into an engineering, procurement, installation, commissioning and bareboat charter agreement in respect of an FPSO for our TEN Project on August 14, 2013 (the "**TEN FPSO Contract**") with T.E.N. Ghana MV25 B.V. (the "**Contractor**"), a subsidiary of MODEC Inc (the "**Contractor's Parent**"). TGL, as operator of the TEN Project, entered into the agreement for itself and on behalf of its commercial partners.

The Contractor has agreed to design, procure, construct, install and commission the FPSO, which is expected to be completed by August 2016. Neither we nor TGL has any obligation to finance these activities during the construction period. Instead the Contractor has agreed that it will recover its costs of performing the construction work through the payments TGL will make during the charter period. Upon the offshore completion of the FPSO, TGL will charter and lease the FPSO from the Contractor for an initial period of 10 years. Upon the expiration of such period, TGL has the option to extend the charter period for 10 additional, consecutive one-year extension periods, provided TGL provides six-months' written notice to the Contractor prior to the expiration of the initial charter period or any extension thereto, as applicable. TGL will be responsible for paying the hire to the Contractor during the charter period, and such hire rates shall include a mobilization fee, compensation for demobilization and daily rates applicable for each year during of the charter period.

The Contractor's Parent has guaranteed the Contractor's obligations, and we have provided a guarantee of TGL's obligations, under the TEN FPSO Contract. In addition, the Contractor has furnished to TGL an irrevocable and unconditional bank guarantee pursuant to which the bank will pay an amount to TGL if the Contractor defaults in the performance of its obligations during the construction period. The aggregate maximum amount of the bank guarantee is $50 million.

During the FPSO construction period, TGL may terminate the TEN FPSO Contract, in our sole discretion, at any time by providing 30 days' written notice to the Contractor. If TGL terminates the contract under such circumstances, TGL may be required to reimburse the Contractor, among other amounts, any out- of-pocket costs incurred by it for work performed up until the termination date, cancellation charges owned to its subcontractors and an amount related to its lost profits and overhead costs. Both TGL and the Contractor may terminate the TEN FPSO Contract during the FPSO construction period without penalty upon the occurrence of customary events of default by the other party.

Upon completion of the FPSO, TGL may terminate the contract on not less than 30 days' written notice to the Contractor, provided TGL pays the Contractor for hire payable to the date of termination, demobilization costs and, if applicable, interest-rate hedging unwinding costs. If the termination occurs during the initial 10-year charter period, TGL will also be required to pay an early termination fee which will be equal to the then present value of the remaining hire, excluding 5% Ghanaian withholding tax, due to the end of the initial charter period discounted to the early termination date using a discount rate of 6.5% per annum on a 360 days per year basis grossed up by 25% of Ghanaian corporate income tax. An early termination payment is also due by TGL in the event that there is an unauthorized requisitioning or taking of the FPSO or TGL terminates the agreement for continuing force majeure. No early termination fee is incurred in the event that termination occurs as a result of other conditions, including the actual or constructive total loss of the FPSO or breach of the Contractor's material obligations. The Contractor is also entitled to terminate the contract under certain circumstances, including a breach of our material obligations.

TGL has the option to purchase the FPSO at any time during the charter period (including any extension thereto), provided that 180 days' written notice is given to the Contractor. In addition, if the Contractor wishes to sell the FPSO to a non-affiliate during the charter period, TGL also has a right of first refusal to purchase the FPSO at the same price and on substantially the same terms as those offered by the third-party, and has 60 days within which to exercise such right. Upon any purchase of the FPSO, the TEN FPSO Contract will automatically terminate. The Contractor may grant a mortgage over the FPSO property for the benefit of its creditors.

In addition, TGL has entered into a separate contract with the Contractor under which the Contractor will provide the FPSO operations and maintenance services.

Stena DrillMax

On June 28, 2013 Tullow Ghana Limited entered into a contract with Stena Oilfield Services Limited for the provision of a drillship, the Stena DrillMax Drilling Unit, to be mobilized across our deepwater portfolio in West Africa and for associated drilling services. This contract has an initial period of three years with the option to extend the contract period by up to two additional years.

Seadrill West Leo

On November 10, 2011 Tullow Ghana Limited entered into a contract with Seadrill Ghana Operations Limited for the provision of a deepwater drilling unit, the West Leo and associated drilling services. This contract was novated to Tullow Cote d'Ivoire Limited on April 10, 2013 for mobilization for drilling operations offshore Cote d'Ivoire. The contract has a period of five years.

Certain regulatory regimes

Ghana

As with most of the country's extractive industrial sectors, Ghana has numerous laws that govern the oil and gas industry, with some laws being industry specific and others being of general application, which impact the industry.

Specific laws and regulations impacting the oil and gas industry

There are a variety of laws governing the oil and gas industry in Ghana. The Ghana National Petroleum Corporation Law, 1983 (PNDCL 64) gives GNPC the right to the development of the oil sector, oil exploration and production. The Petroleum (Exploration and Production) Law, 1984 (PNDCL 84) places the overall authority of the hydrocarbons sector with the Ministry of Energy although GNPC continues to do the underground work including attracting foreign investors. Additionally, the National Petroleum Authority Act, 2005 (ACT 691) regulates, oversees and monitors activities in the downstream petroleum industry. Further, the Energy Commission Act, 1997 (ACT 541) established an energy commission. The object of this energy commission is to regulate and manage the energy resources in Ghana and coordinate energy policies. The energy commission aids in establishing and enforcing, standards of performance for public utilities engaged in the transmission, wholesale supply, distribution and sale of electricity and natural gas, and promotes and ensures uniform rules of practice for the transmission, wholesale supply, distribution and sale of electricity and natural gas. Finally, the Petroleum Commission Act, 2011 (Act 821) established a petroleum commission (as described below) as the upstream petroleum regulatory authority in Ghana.

On November 19, 2013, the Ghanaian Parliament passed the Petroleum (Local Content and Local Participation) Regulations. The legislation is publicly reported in local media as being designed to create jobs and increase the use of local businesses, goods, services, and financing in the Ghanaian oil sector. In particular, the legislation requires a minimum 5% local equity ownership in Ghanaian petroleum agreements and licenses and a minimum 10% local equity ownership in any non-Ghanaian company providing goods and services to oil companies. In addition, the law provides that a specified percentage of managerial and technical employees must be Ghanaian and that Ghanaian companies receive first consideration and preference in supplying goods and services to operators in the Ghanaian oil sector. The requirements set out in the legislation must be met within five years. Enhanced requirements under this legislation are scheduled to apply after 10 years. Penalties for non- compliance include personal liability for fines and/or imprisonment, and oil companies are required to provide a local content plan and an annual performance report and submit a quarterly forecast on contracts over $100,000.

Other relevant legislation includes the Ghana Investment Promotion Centre Act 2013. Such Act affects companies engaged in the oil and gas sector, particularly oil and gas service companies. It stipulates minimum capital requirements for non-Ghanaian investors as well as a minimum equity threshold for Ghanaians of 10%.

A draft Petroleum (Exploration and Production) Bill is currently under stakeholders' consideration and if passed into law would have a wide-ranging impact on the oil and gas sector. This Bill has been before Parliament for some time, but there is no indication as to when it will be passed into applicable law.

Roles of various government agencies

The Ghanaian Ministry of Energy and Petroleum (the "**Ministry**") has the overall responsibility for providing policy direction for the energy sector. It also is responsible for creating and implementing general policies for the energy sector. While day-to-day operating, management and regulation of the petroleum sector is mainly delegated to GNPC, Ghana National Gas Company Limited and the Petroleum Commission respectively, certain matters are reserved for the Ministry such as entry into petroleum agreements (subject to parliamentary ratification) and approval of plans of development and unitization.

GNPC was initially established in 1983 as a national oil company to undertake exploration, development and production activities and to manage the upstream petroleum sector in Ghana. In recent years, GNPC has become a commercial entity and has adopted an upstream policy and strategy of not directly engaging in exploration activities. The focus of GNPC is to promote Ghana's exploration potential to attract foreign capital and expertise, evaluate potential investors, negotiate agreements, support direct investment from foreign investors, approve development plans and monitor activities in the industry while still retaining the right to participate as a shareholder in commercially viable fields.

The Petroleum Commission was established by the Petroleum Commission Act 2011 (Act 821) as the regulatory body for the upstream petroleum sector in Ghana in 2011 and began functioning in 2012. The Petroleum Commission took over day-to-day regulation of the sector from GNPC. The Petroleum Commission regulates and monitors the management and utilization of Ghana's upstream petroleum resources on behalf of the government. Its role is to ensure optimal utilization of existing and planned petroleum infrastructure and to ensure that contractors, subcontractors and other persons involved in petroleum activities comply with the applicable laws and regulations. The Petroleum Commission also has a mandate to assess and approve appraisal programs and to advise the Minister on matters related to petroleum activities, including plans of development, plans for the development of petroleum infrastructure and decommissioning plans for petroleum fields and petroleum infrastructure.

Ghana National Gas Company Limited is a mid-stream gas company, which is wholly owned by the government of Ghana. This company was set up to build, own and operate the infrastructure required for the gathering, processing, transporting and marketing of natural gas resources in the country. The National Petroleum Authority was established in 2005 and is responsible for the regulation of the downstream oil and gas sector in Ghana to ensure efficiency, growth and stakeholder satisfaction.

Tax regime

The Petroleum Income Tax Act 1984 (PNDC Law 188) established the tax system for petroleum production in Ghana. It provides that income tax shall be assessed on gross income after deductions of certain expenses incurred in petroleum operations.

The Petroleum Agreements entered into by contractor entities with the government of Ghana (based on the Model Petroleum Agreement) provide that contractors will be subject to taxes, duties, fees or other imposts of a minor nature. However, such agreements do not generally define the term “minor nature” and, in some cases, this has led to disputes regarding certain contractor’s total tax liabilities.

Licensing and contractual framework

Contractors often enter into farm-out agreements to acquire an interest in another contractor’s (assignor) petroleum agreement mainly with the aim of diversifying risk. These transactions may have various tax implications such as VAT, corporate income tax and capital gains tax. However, each farm-out agreement needs to be analyzed against the framework of the applicable joint venture accounting standards in order to determine which specific taxes may apply, if any.

Companies in Ghana, including those in the oil and gas sector, are required by law to file their annual returns with the Companies Registry four months after their year-end. The annual returns should be filed with the audited accounts of the company. Returns are required to be filed even if no activities are conducted during a year of assessment or production has not commenced. Penalties may apply for non-compliance. In addition to this, quarterly returns are required by the PITL to be filed when production of oil commences.

Foreign exchange controls

On February 5, 2014, the Ghanaian central bank introduced a series of foreign exchange controls, including revised regulations on foreign exchange accounts, foreign currency accounts and repatriation of export proceeds. The new regulations require the use of Ghanaian cedi in all domestic transactions and reinforce the cedi as the sole legal tender. These regulations have been issued in an attempt to halt the depreciation of the Ghanaian cedi and stem the demand for United States dollars in-country. Among other things, the new regulations also require Ghanaian companies to perform Ghanaian cedi/U.S. dollar foreign exchange transactions within Ghana. It remains uncertain whether these foreign exchange controls are intended to be temporary or continue for an extended period of time. See “Risk Factors—Risks related to our business—We are subject to currency exchange and inflation risks, which might adversely affect our financial condition and results of operations”.

Uganda

Similar to the regulatory regime in Ghana, Uganda has numerous laws that govern the oil and gas industry, with some laws being industry specific, and others being of general application, which impact the oil and gas industry.

Specific laws and regulations impacting the oil and gas industry

The Ugandan constitution is the supreme law of Uganda. The constitution empowers Parliament to make laws regulating the exploitation of minerals, the sharing of royalties arising out of mineral exploitation, the conditions for payment of indemnities arising out of exploitation of minerals and the conditions regarding the restoration of derelict lands.

The National Oil & Gas Policy for Uganda has been in effect since February 2008. This policy document is intended to guide the oil and gas industry and it was put in place following the establishment of Uganda’s entry into the oil and gas industry and the expected increased investment. The policy addresses the exploration, development and production of the country’s oil and gas resources more comprehensively than previous policy documents. The policy contains ten objectives relating to matters such as, but not limited to, licensing, national content, institutional frameworks and the environment. The policy is not on a statutory footing, but it is put into effect through the Upstream Act and the Midstream Act.

The Petroleum (Exploration, Development & Production) Act 2013 (the "**Upstream Act**") has been in effect since April 5, 2013. This Act repealed the Petroleum (Exploration and Production) Act (Cap 150) which had governed the oil and gas industry since 1985. The purpose of the Upstream Act included establishing an effective legal framework and institutional structures to ensure that the exploration, development and production of petroleum resources of Uganda is carried out in a sustainable manner, creating a conductive environment for the efficient management of petroleum resources of Uganda and establishing institutions to manage the petroleum resources and regulate petroleum activities.

The Petroleum (Refining, Conversion, Transmission & Midstream Storage) Act 2013 (the "**Midstream Act**") has been in effect since July 26, 2013. The purpose of this Act is to operationalize the National Oil and Gas Policy of Uganda by establishing a legal framework to ensure that midstream oil and gas operations in Uganda are carried out in a sustainable manner that guarantees optimum benefits for all Ugandans, enable the development of petroleum refining, gas conversion, pipelines, transmission pipelines and midstream storage facilities and facilitate investment in midstream operations.

The Petroleum (Exploration and Production) (Conduct of Exploration Operations) Regulations (S.I. 150-1) were issued under the Petroleum (Exploration and Production) Act (Cap 150) which has now been replaced by the Upstream Act. However, the regulations were preserved and remain in force to the extent that they are not inconsistent with the Upstream Act. The regulations in this Act cover, among other things, drilling operations, geology and geophysical operations and pollution prevention and control. The Ugandan government is currently drafting new upstream regulations updated for purposes of the Upstream Act.

The Petroleum Supply Act, which has been in effect since 2003, guides all downstream petroleum activities that involve the distribution, marketing, and selling of petroleum products.

Role of the Ministry

The Ugandan Ministry of Energy and Mineral Development (the "**MEMD**") is charged with establishing, promoting the development of, strategically managing and safeguarding the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development. The key roles and functions of the MEMD include providing policy guidance in the development and exploitation of mineral resources, acquiring, processing and interpreting technical data in order to establish the energy and mineral resource potential of the country, and inspecting, regulating, monitoring and evaluating activities of private companies in the energy and mineral sectors to ensure that resources are developed, exploited and used on a rational and sustainable basis.

The Upstream Act streamlined the institutional framework, which includes the Minister of MEMD, the Petroleum Authority of Uganda (the "**PAU**") and the National Oil Company (the "**NOC**"). This change was driven by the government's desire to separate policy, regulation and commercial aspects of the oil and gas industry. The Upstream Act allocates the policy aspects to the Minister, regulatory aspects to the PAU and commercial aspects to the NOC. However, the new institutions are not yet in place and no clear timeline has been provided for their set up.

Licensing

Uganda operates under a two tier regime, with production sharing agreements entered into between an international oil company and the government of Uganda. In addition to this, licenses are issued by the Ministry of Energy and Mineral Developments for different phases of petroleum operations.

The Upstream Act provides for licensing through open bidding or, in exceptional circumstances, direct applications. An exploration license is for a one year initial term subject to two renewals, with a maximum term of two years each. The appraisal term for a discovery is two years following submission of technical evaluation test results with a possible of extension of two additional years. Thereafter, and within a stipulated time, the licensee has an exclusive right to apply for a petroleum production license which is for an initial duration of twenty years with a possible extension of five years. However, the existing production sharing agreements stipulate an initial term of twenty five years with the possible five year extension. These existing licenses were issued under the Petroleum (Exploration and Production) Act, (Cap 150) and are grandfathered by the Upstream Act provided that they were still in force immediately before commencement of the Upstream Act.

Fiscal regime

The tax system in Uganda is governed by the Uganda Revenue Authority (the "**URA**") and the Ministry of Finance, Planning and Economic Development, which deals with policy development. The URA is a semi- autonomous entity that is responsible for tax policies and advising the Ministry of Finance on policy issues. Oil companies are obligated under the law and production sharing agreements to pay all central, local district, administrative or other taxes, duties, levies and other lawful impositions applicable to the licensee.

The Income Tax Act came into effect in July 1997, as amended from time to time. This Act sets out a schedule of taxation of petroleum operations. This act provides for taxation of the production of petroleum and allows for cost oil and allowable deductible expenditures. This act also provides the method of taxing petroleum companies in the event that a company transfers their interests to another party. Additionally, the Act prescribes accounting principles to be applied in the taxation of contractors and the taxation of cross-border shared petroleum resources. Timelines for filing returns and payment of taxes are also stipulated and it is an offense which carries large fines to not furnish returns or to file inaccurate returns or to fail to make any payment or contribution by the due date.

Environmental regime

The National Environmental Act (Cap 153) is the primary law regarding the protection of the environment and supersedes any other obligations, especially contracts with petroleum companies, regarding the environment. This Act establishes the National Environment Management Authority ("**NEMA**"), which is responsible for the management of environmental issues and the sustainable management of the environment. NEMA, in consultation with other agencies, has the authority to issue guidelines and prescribe measures and standards for the management and conservation of natural resources and the environment. This Act provides for environmental monitoring, the setting of environmental standards, economic and social incentives to achieve these ends and civil and penal sanctions to enforce these standards.

Back-in rights

The Upstream Act provides that the government may participate in petroleum activities under the Upstream Act through a specified participating interest of a license, contracts granted under the Upstream Act and in joint ventures established by a joint operating agreement in accordance with licenses and the Upstream Act. The maximum back-in interest for the government of Uganda in the existing licenses is limited in the applicable production sharing agreements. However, in the future, the maximum government back-in interest will be stipulated when announcing areas for granting of petroleum exploration licenses by the government.

Management

Board of directors and senior management

The persons set forth below are our current members of the board of directors and our members of senior management. The address for each of our directors and executive officers is Tullow Oil plc, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom.

Name	Age	Position	Type of Director
Simon Thompson	54	Chairman	Non-Executive Director
Aidan Heavey	61	Chief Executive Officer	Executive Director
Angus McCoss	52	Exploration Director	Executive Director
Ian Springett	56	Chief Financial Officer	Executive Director
Paul McDade	50	Chief Operating Officer	Executive Director
Graham Martin	60	Company Secretary	Executive Director
David Bamford(1)	67	Senior Independent Director	Non-Executive Director
Ann Grant	65	Non-Executive Director	Non-Executive Director
Tutu Agyare	51	Non-Executive Director	Non-Executive Director
Steve Lucas	59	Non-Executive Director	Non-Executive Director
Anne Drinkwater	58	Non-Executive Director	Non-Executive Director
Jeremy Wilson	49	Non-Executive Director	Non-Executive Director

(1) Dr. Bamford has announced his intention to retire from the board of directors effective April 30, 2014. From that date, Ann Grant will assume the role of Senior Independent Director.

Mr. Simon Thompson was appointed as a non-executive director in 2011 and non-executive chairman from January 1, 2012. Mr. Thompson brings extensive international investment banking and natural resources experience, especially in Africa. Mr. Thompson held investment banking roles before he joined the Anglo American Group in 1995, where he held a number of senior positions, and was an executive director of Anglo American plc from 2005-2007. Mr. Thompson is a non-executive director of Newmont Mining Corporation (United States), Sandvik AB (Sweden) and AMEC plc (United Kingdom). Mr. Thompson is also joining the boards of RioTinto plc (UK) and RioTinto Limited (Australia) as a non-executive director in April 2014. Mr. Thompson is retiring from the board of Newmont Mining Corporation during April 2014. He holds a master's degree in geology from University College, Oxford.

Mr. Aidan Heavey is a founder of Tullow and has been our chief executive officer since 1985. He has played a key role in our development as a leading independent oil and gas exploration and production group. Mr. Heavey is also 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 advisory board of UCD Michael Smurfit Graduate Business School, Dublin. He holds a bachelor of commerce degree from University College, Dublin and qualified as a chartered accountant with the Irish Institute of Chartered Accountants.

Dr. Angus McCoss, our exploration director, was appointed to the board of directors in 2006. Prior to joining us in 2006 as general manager of exploration, he gained 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Dr. McCoss held a number of senior positions within Shell including Americas regional vice president of exploration and general manager of exploration in Nigeria. Dr. McCoss is a non-executive director of Ikon Science Limited and member of the Advisory Board of the industry-backed Energy and Geoscience Institute of the University of Utah. He holds a PhD in structural geology from Queen's University of Belfast.

Mr. Ian Springett, our chief financial officer, was appointed to the board of directors in 2008. Prior to joining us, Mr. Springett worked at BP for 23 years where he gained extensive international oil and gas experience. Mr. Springett held a number of senior positions at BP including vice president of BP Finance and U.S. chief financial officer and served as a business unit leader in Alaska. Prior to joining BP, he qualified as a chartered accountant with Coopers & Lybrand. He holds a degree in accounting and financial management from Sheffield University.

Mr. Paul McDade, our chief operating officer, was appointed to the board of directors in 2006. Mr. McDade joined us in 2001 and was appointed chief operating officer following our Energy Africa acquisition in 2004, having previously managed our U.K. gas business. An engineer with over 25 years' experience, Mr. McDade has worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. He has broad international experience, having worked in the United Kingdom North Sea, Latin America, Africa and South East Asia. He holds a bachelor of science degree in civil engineering from Strathclyde University and a master's of science degree in Petroleum Engineering from Imperial College, University of London.

Mr. Graham Martin, our company secretary, joined us as legal and commercial director in 1997 from Vinson & Elkins, a leading international law practice. Prior to that, he was a partner in Dickson Minto W.S., a U.K. corporate law firm. Mr. Martin has over 30 years' experience in U.K. and international corporate and energy transactions and was our principal legal adviser from 1986 through 2013, including serving as our general counsel from 2004 through 2013. He has been our company secretary since 2008. He holds a law and economics degree from Edinburgh University.

Dr. David Bamford was appointed as a non-executive director in July 2004. Dr. Bamford worked for 23 years for BP, where he was chief geophysicist from 1990 to 1995 and general manager for West Africa from 1995 to 1998. In addition, he acted as vice president for exploration, directing BP's global exploration program, from 2001 to 2003. Dr. Bamford is also a director or adviser to several companies, including his own consultancy, and he writes regularly for journals such as OilVoice and ROGTEC. He co-founded Finding Petroleum and OilEdge as vehicles for online communication in the oil and gas industry and holds a PhD in geological sciences from Birmingham University. Dr. Bamford has announced his intention to retire from the board of directors effective April 30, 2014.

Ms. Ann Grant was appointed as a non-executive director in May 2008. Ms. Grant joined the United Kingdom Diplomatic Service in 1971. From 1998 until 2000, she worked at the Foreign and Commonwealth Office in London as director for Africa and the Commonwealth, and from 2000 to 2005 she was British High Commissioner to South Africa. In 2005, Ms. Grant joined Standard Chartered Bank focusing on its Africa business. She is a board member of the Overseas Development Institute and a council member of the London School of Hygiene and Tropical Medicine and the Rift Valley Institute. She holds a bachelor of arts degree in international relations from University of Sussex and a master of science degree from SOAS, University of London.

Mr. Tutu Agyare was appointed as a non-executive director in August 2010. Mr. Agyare is a managing partner at Nubuke Investments, an asset management firm focused solely on Africa, which he founded in 2007. Previously, he had a 21-year career with UBS Investment Bank, holding a number of senior positions, most recently as the head of European emerging markets, and served on the board of directors. Mr. Agyare brings extensive experience to our board of directors as we continue to expand our business in Africa. Mr. Agyare is a director of the Nubuke Foundation, a Ghanaian-based cultural and educational foundation. He holds a degree in mathematics and computing from University of Ghana.

Mr. Steve Lucas was appointed as a non-executive director in March 2012. A chartered accountant, Mr. Lucas was finance director at National Grid from 2002 to 2010 and has significant expertise in energy and power, infrastructure finance and treasury operations. Previously, he worked for 11 years at Shell and for six years at BG Group, where he served as group treasurer. From 2004 until 2011 Mr. Lucas was a non-executive director of Compass Group where he was chairman of the audit committee. He is a non- executive director of Transocean Ltd (United States), Essar Energy plc (United Kingdom) and African Barrick Gold plc (United Kingdom). He holds a bachelor of arts degree in geology from Oxford University.

Ms. Anne Drinkwater was appointed as a non-executive director in July 2012. Ms. Drinkwater had a long career at BP where she held a number of senior business and operations positions including president and chief executive officer of BP Canada Energy Company, president of BP Indonesia and managing director of BP Norway. Ms. Drinkwater has strong expertise in governance and stakeholder management. Ms. Drinkwater is a non-executive director of Aker Solutions ASA (Norway). She holds a bachelor of technology degree in mathematics from Brunel University.

Mr. Jeremy Wilson was appointed as a non-executive director effective as of October 2013. Mr. Wilson had a 26-year career at J.P. Morgan, where he held a number of senior positions, most recently as vice chairman of the Energy Group. Mr. Wilson currently serves as senior advisor to J.P. Morgan and brings extensive international investment banking oil and gas experience to the board. Mr. Wilson is also a non-executive director of the energy services company John Wood Group plc (United Kingdom) and chairman of The Lakeland Climbing Centre Ltd. He holds a degree in engineering from Jesus College, Cambridge.

Another key executive that does not serve as a director is Brian Williams, our vice president of corporate finance. Mr. Williams joined us in 2000 and was appointed vice president of corporate finance following our Energy Africa acquisition in 2004, having previously managed the finance and commercial functions of our U.K. gas business. An accountant with over 30 years' experience, Mr. Williams has worked in various finance and commercial roles with BNOC, Hamilton Brothers Oil & Gas, Pict Petroleum, and Alliance Resources. Mr. Williams holds a degree in economics and modern history, a post graduate diploma in finance & accounting and qualified as a chartered accountant with Thompson McLintock in 1980.

Board committees

Audit Committee

The purpose of the Audit Committee is to assist the board of directors in fulfilling its responsibilities of oversight and supervision of, among other things:

- the integrity of our financial statements including annual and half- yearly reports, financial returns to regulators and announcements of a price sensitive nature;

- the adequacy of our internal controls and accountancy standards; assessing consistency and clarity of disclosure as well as the operating and financial review and corporate governance statement; and

- the relationship with our external auditor including appointment, remuneration, terms of engagement, assessing independence and objectivity and ultimately reviewing the findings and assessing the standard and effectiveness of the external audit.

The Audit Committee considers annually how our internal audit requirements shall be satisfied and makes recommendations to the board of directors accordingly as well as on any area it deems needs improvement or action. The Audit Committee meets at least four times a year at appropriate times in our reporting and audit cycle and more frequently if required.

The following table sets forth the current members of the Audit Committee.

Name	Position	Type
Ann Grant	Member	Independent non-Executive Director
Tutu Agyare	Member	Independent non-Executive Director
Steve Lucas	Chairman	Independent non-Executive Director
Anne Drinkwater	Member	Independent non-Executive Director
Jeremy Wilson	Member	Independent non-Executive Director

Remuneration Committee

The main responsibilities of the Remuneration Committee are:

- setting the remuneration policy for all executive directors and our chairman;

- reviewing progress made against key performance indicator targets and agreeing incentive awards for executive directors and senior executives;

- reviewing the design of share incentive plans for approval by the board of directors and shareholders and determining the annual award policy to executive directors and senior executives under existing plans;

- approving the design of, and determining targets for, any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;

- within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each executive director and designated senior executives;

- monitoring the level and structure of remuneration for senior management; and

- reviewing and noting the remuneration trends across our group.

The remuneration of the non-executive directors is determined by the Chairman and the other executive directors outside the framework of the Remuneration Committee.

The following table sets forth the current members of the Remuneration Committee.

Name	Position	Type
Simon Thompson	Member	Non-Executive Director
David Bamford(1)	Chairman	Independent non-Executive Director
Anne Drinkwater	Member	Independent non-Executive Director

Tutu Agyare	Member	Independent non-Executive Director
Steve Lucas	Member	Independent non-Executive Director
Jeremy Wilson(1)	Member	Independent non-Executive Director

(1) Dr. Bamford has announced his intention to retire from the board of directors effective April 30, 2014. From that date, Jeremy Wilson will assume the role of Chairman of the Remuneration Committee.

Nominations Committee

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

The primary duties are:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the board of directors and making recommendations to the board of directors with regard to any changes;
- succession planning for directors and other senior executives;
- identifying and nominating, for board of directors approval, candidates to fill board of directors vacancies as and when they arise;
- reviewing annually the time commitment required of non-executive directors; and
- making recommendations to the board of directors regarding membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

The following table sets forth the current members of the Nominations Committee.

Name	Position	Type
Simon Thompson	Chairman	Non-Executive Director
David Bamford(1)	Member	Independent non-Executive Director
Tutu Agyare	Member	Independent non-Executive Director
Ann Grant	Member	Independent non-Executive Director

(1) Dr. Bamford has announced his intention to retire from the board of directors effective April 30, 2014.

EHS Committee

The main duties of the Committee are:

- reviewing and providing advice regarding the EHS policies of the Company;
- monitoring the performance of the Company in the progressive implementation of its EHS policies, including process safety management;
- receiving reports covering matters relating to material EHS risks; and
- considering material regulatory and technical developments in the fields of EHS management.

The following table sets forth the current members of the EHS Committee.

Name	Position	Type
Simon Thompson	Member	Non-Executive Director
Paul McDade	Member	Executive Director
David Bamford(1)	Member	Independent non-Executive Director
Anne Drinkwater	Chairman	Independent non-Executive Director

(1) Dr. Bamford has announced his intention to retire from the board of directors effective April 30, 2014.

See "Our business—Environmental, health and safety and social responsibility—*Environmental*" and "—Health and safety."

Executive Directors and Executive Committee

In January 2014, we created an Executive Committee to assist our Executive Directors in the execution of our business plan and strategic objectives. The committee, which consists of our Executive Directors and 10 senior regional and functional business leaders, meets weekly and is responsible for, among other things:

- Managing the delivery of our budget and business plan;
- Driving cost and operational efficiency;
- Ensuring consistent and integrated management;
- Supporting strategic planning and risk management; and
- Evaluating and monitoring the delivery of projects.

Code of business conduct

We aim to ensure that our day-to-day business activities are conducted in a fair, honest and ethical manner. Every person connected with us has individual responsibility for maintaining an ethical workplace. Our managers and leaders are additionally responsible for developing a working environment which encourages compliance and the confidence to openly raise any issues or concerns. The board of directors has approved our Code of Business Conduct (the "**Code**") which sets out mandatory requirements and guidance on a range of topics. The Code has been issued to all staff and is provided as a matter of course to all of our suppliers via our Supply Chain processes.

We continually review and enhance our Anti-Bribery and Corruption ("**ABC"**) program . The program is designed to demonstrate that we have implemented adequate procedures to prevent bribery in line with the U.K. Ministry of Justice Adequate Procedures Guidance and recognized good practice. Our comprehensive Code awareness program includes face to face training and extensive communications with the engagement of our leadership. This ensures that all staff are aware of our zero tolerance approach to corruption, the requirements of our Code and associated policies and standards. We also ensure that all staff are fully aware of the requirements of the U.K. Bribery Act (2010) and the consequences of any breach. A number of initiatives were undertaken in support of this program during 2013, including the introduction of an annual online certification process for all staff, implementation of our corruption risk assessment process and enhancement of our due diligence processes. We have also increased the size of our dedicated compliance function and introduced a network of compliance champions across the business.

Embedding our Code of Business Conduct

With strong executive leadership, a company-wide "Code awareness" program was launched in 2012. To date, over 1,780 permanent and contract staff have attended, representing over 80% of our current workforce. All members of the board of directors have participated in the half-day awareness session. The Code was translated for our French-speaking countries, such as Mauritania and Gabon.

Independent review of our ABC program

To measure the effectiveness of our ABC program in 2012, we asked the Good Corporation to independently review and benchmark us against a formal framework. The outcome of this review was favorable and their report indicated that overall we compared well against the average of other companies who had been assessed. The recommendations from this benchmarking study were incorporated into our 2013 compliance plan and we have agreed that the Good Corporation will carry out a reassessment of our ABC program in the second quarter of 2014.

Governance issues

The directors support high standards of corporate governance. As a United Kingdom listed company, we are required to state whether we have complied with the relevant provisions in Section 1 of the U.K. Corporate Governance Code throughout the year and, where the provisions have not been complied with, to provide an explanation. We are also required to explain how we have applied the Main Principles in Section 1 of the U.K. Corporate Governance Code.

Save as otherwise disclosed, the directors consider that we complied with the relevant provisions set out in Section 1 of the U.K. Corporate Governance Code during the financial years ended December 31, 2011, 2012 and 2013. As of the date of this Offering Memorandum, the directors expect that we will comply with the relevant provisions of the U.K. Corporate Governance Code in respect of our current financial year.

The board of directors comprises a non-executive chairman, five executive directors and six non-executive directors. We view all of the non- executive directors (other than the chairman) as independent within the meaning of "independent" as defined in the U.K. Corporate Governance Code.

The board of directors meets on at least eight occasions during the course of the year to review trading performance, budgets and funding, to set and monitor strategy, examine acquisition opportunities and report to shareholders. The board of directors has a formal schedule of matters specifically reserved to it for decisions. The roles of Chairman and Chief Executive are separate and the responsibilities of Chairman and Chief Executive are independently defined. It is the Chairman's responsibility to ensure that the board of directors is provided with accurate, timely and clear information in relation to our business.

The U.K. Corporate Governance Code recommends that the board of directors should appoint one of its independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that contact through the normal channels of Chairman or Chief Executive has failed to resolve or where such contact is inappropriate. David Bamford is the board of directors' existing senior independent director and has served in this role since January 1, 2013. Upon David Bamford's retirement from the board on April 30, 2014, Ann Grant will assume the role of senior independent director.

The board of directors has established an Audit Committee, a Remuneration Committee, a Nominations Committee, EHS Committee and an Executive Directors and Executive Committee, each of which have defined terms of reference which are summarized above. Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties in each case at our expense. In addition, each Director and committee has access to the advice of the Company Secretary, Graham Martin.

Compensation paid to our board of directors and committee members

The Chairman of the Board receives a chairman fee, which is £310,500 in 2014. The other non-executive members of our board of directors receive a base fee, which is £69,500 in 2014. In addition, the senior independent director receives an additional fee of £15,000 per year, the chairmen of the Audit Committee and Remuneration Committee each receive an additional fee of £20,000 per year and the chairman of the EHS Committee receives an additional fee of £15,000 per year.

Compensation paid to senior management

The aggregate cash compensation (including cash bonuses relating to performance for the year ended December 31, 2012) paid to our executive directors for the year ended December 31, 2013, excluding the long-term incentive plans described below, pension, retirement and similar benefits, was $8.8 million.

We operate several share-based schemes in which the executive directors and other senior executives are eligible to participate.

Performance share plan

Our Performance Share Plan (the "**PSP**") rewards participants for delivering returns to shareholders relative to both a group of oil and gas sector peers and the FTSE 100. In the years ended December 31, 2011, 2012 and 2013, we granted our executive directors share options, which can be exercised at nil cost following a three-year vesting period.

Share options granted in each of the years ended December 31, 2011, 2012 and 2013 vest subject to continued employment and total shareholder return targets over three years commencing with the year of grant (with no opportunity to re-test). For the awards granted to executive directors, 70% vest based on our total shareholder return ranked against an international oil and gas sector peer group and 30% vest based on our total shareholder return ranked against FTSE 100 companies. A similar condition applies to other senior executives. No awards vest unless the Remuneration Committee also believes that our underlying financial performance and our performance against other key factors (e.g., EHS) is satisfactory. To the extent that awards vest, they normally remain exercisable until ten years from grant.

As of December 31, 2013, under the PSP, outstanding awards were: Mr. Heavey (900,000), Dr. McCoss (525,000), Mr. Springett (713,147), Mr. McDade (717,604) and Mr. Martin (717,604).

Deferred share bonus plan

Prior to the introduction of the TIP (see below), any bonus earned by our executive directors that exceeded 75% of salary was deferred under our Deferred Share Bonus Plan (the "**DSBP**") into nil cost share options. These have a three-year vesting period, subject to continued service. Vested awards normally remain exercisable until ten years from grant.

As of December 31, 2013, under the DSBP, outstanding awards were: Mr. Heavey (111,298), Dr. McCoss (62,943), Mr. Springett (83,760), Mr. McDade (121,944) and Mr. Martin (123,279).

2000 Executive Share Option Scheme

Before the introduction of the PSP in 2005, our executive directors were granted share options under the 2000 Executive Share Option Scheme (the "**2000 Scheme**") with an exercise price equal to market value shortly before grant. All subsisting options under the 2000 Scheme are fully exercisable. Our executive directors are not eligible to receive options under later plans that replaced the 2000 Scheme (the 2010 Share Option Plan and the Employee Share Award Plan).

As of December 31, 2013 the following options under the 2000 Scheme were outstanding: Mr. Martin (190,000); Mr. Heavey, Dr. McCoss, Mr. Springett and Mr. McDade had no options outstanding.

Tullow Incentive Plan

The Tullow Incentive Plan (the "**TIP**") has replaced the PSP and DSBP as the primary senior executive incentive arrangement. The first awards were made in early 2014. The TIP, which our shareholders approved at our 2013 annual general meeting, has been designed to better align executive and shareholder interests and simplify remuneration arrangements.

Following the end of a financial year, we expect that executive directors will be eligible for an award over shares with a market value of up to 600% of salary, with lower thresholds applicable to other senior executives. Subject to transitional provisions relating to the replacement of the PSP by the TIP, 50% of awards granted to executive directors are granted based on financial, operational (including EHS) and strategic performance targets measured over the previous financial year and 50% will be granted based on total shareholder return ranked against the returns of a group of exploration and production companies measured over three financial years ending with that preceding the award date. Other executives have part of their awards based on personal performance. Awards up to 200% of salary (a lower percentage may apply for other executives) of salary are normally payable half in cash and half in share options (with a nil exercise price). For larger awards, any excess over 200% of salary is all granted as share options. Options granted to directors normally vest five years after grant (a shorter vesting period applies to initial grants to executive directors under the transitional provisions mentioned above and to other executives), subject to continuing employment. Options normally remain exercisable ten years after grant.

U.K. Share Incentive Plan

Our executive directors are eligible to participate in our U.K. Share Incentive Plan on the same basis as other U.K. employees. Participating employees are able to invest up to £1,500 (£1,800 from April 6, 2014) in Tullow Oil plc shares each year. For each share purchased, we award a free matching share. Matching shares cannot normally be sold or transferred for three years and are normally subject to forfeiture on a sliding scale if the related purchased shares are sold or employment ceases within that period.

Principal shareholders

We have an issued share capital of £91,018,631.80 comprised of 910,186,318 ordinary shares with a par value of 10 pence, each being fully paid up. The following table sets forth certain information concerning the significant shareholders with a notifiable interest of our ordinary shares as of March 31, 2014.

	Number of Shares			
Name of shareholder	**Direct**	**Indirect**	**Total**	**Total percentage of shares owned**
BlackRock Inc	0	90,154,669	90,154,669	9.91%
Genesis Asset Managers LLP	72,871,524	0	72,871,524	8.01%
Oppenheimer Funds Inc	49,582,679	0	49,582,679	5.45%
IFG International Trust Company Ltd	38,960,366	0	38,960,366	4.28%

Certain relationships and related party transactions

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. Purchase and supply agreements between subsidiaries and affiliated companies and with associated companies or shareholders of such associated companies are entered into from time to time within the ordinary course of business.

We believe that all transactions with affiliated companies are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers, manufacturers and service providers.

Description of certain financing arrangements

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see "Use of proceeds," "Capitalization," and "Management's discussion and analysis of financial condition and results of operations."

We and certain of our subsidiaries have entered into financing arrangements which are summarized below.

Reserves-based lending facilities

We are party to three reserves-based credit facilities that reference the same borrowing base, each of which is summarized below. The borrowing base for these facilities includes assets in Ghana (our interests in the Jubilee field and the TEN development), Gabon (including our interests in the Tchatamba Fields), Congo (Brazzaville) (our interests in the M'Boundi field), Equatorial Guinea (our interests in the Ceiba field and Okume Complex fields), Côte d'Ivoire (our interests in the Espoir field) and the Netherlands.

Senior secured revolving credit facility

We have entered into a senior secured revolving credit facility agreement, dated as of August 22, 2005, as amended and restated pursuant to an amendment and restatement agreement dated October 31, 2012 and as amended, restated or acceded to, from time to time, with, among others, Bank of America, N.A., Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, Amsterdam Branch, DNB Bank ASA, HSBC Bank plc, ING Bank N.V., Lloyds TSB Bank plc, Natixis, Nedbank Limited, London Branch, Société Générale, London Branch, Sumitomo Mitsui Banking Corporation, Standard Chartered Bank and The Royal Bank of Scotland plc as mandated lead arrangers, with Lloyds TSB Bank plc as global modeling bank, global technical bank and coordinating technical bank, BNP Paribas as agent, global senior agent, security trustee, fronting bank and global technical bank, and Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank each as a global technical bank (the "**Senior Secured Revolving Credit Facility Agreement**")

Pursuant to the Senior Secured Revolving Credit Facility Agreement, a revolving facility (the "**Senior Secured Revolving Credit Facility**") has been made available to the Company and certain of its subsidiaries as borrowers. The Senior Secured Revolving Credit Facility may be utilized in US dollars, pounds sterling or euro by drawing of cash advances (subject to a cap on exposure of $350.0 million when combined with certain letters of credit) and the issue of letters of credit. Borrowings may be used for the purposes of meeting liabilities under the Senior Secured Revolving Credit Facility Agreement in relation to any letter of credit in respect of which demands have been made, funding the capital expenditure program approved by the global technical banks and for general corporate purposes (including acquisitions) and, in the case of any letter of credit, towards providing security, credit enhancement or financial assurance for the performance of (i) any of our exploration, development or production obligations or (ii) any of our obligations under any production sharing, joint operating or similar agreement.

Borrowers and guarantors

The Company, Tullow Oil SK Limited, Tullow Cote d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Congo Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil International Limited and Tullow Exploration & Production Netherlands B.V. are the original borrowers under the Senior Secured Revolving Credit Facility Agreement. The same entities, plus Tullow Oil Gabon S.A., are original guarantors under the Senior Secured Revolving Credit Facility Agreement. A mechanism is included in the Senior Secured Revolving Credit Facility Agreement to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the Senior Secured Revolving Credit Facility, subject to certain conditions.

Guarantees

Each guarantor listed above has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the Senior Secured Revolving Credit Facility Agreement) by any other borrower or guarantor in connection with the Senior Secured Revolving Credit Facility Agreement.

Security

The Senior Secured Revolving Credit Facility is secured by way of (i) English law share charges granted over the shares in Tullow Oil SK Limited and Tullow Oil SPE Limited; (ii) English law debentures granted by the Company, Tullow Oil SK Limited and Tullow Oil SPE Limited; (iii) Gabonese law share pledges granted over the shares in Tullow Oil Gabon S.A. and Tulipe Oil S.A.; (iv) Isle of Man law share charges granted over the shares in Tullow Congo Limited, Tullow Equatorial Guinea Limited and Tullow Gabon Limited; (v) Jersey law security interest agreements granted over the shares in Tullow Cote d'Ivoire Limited and Tullow Oil International Limited; (vi) Jersey law security interest agreement over bank accounts granted by Tullow Gabon Limited; (vii) Dutch law deeds of share pledge granted over the shares in Tullow Exploration & Production Netherlands B.V.; (viii) certain Dutch law security agreements relating to bank accounts granted by Tullow Oil Gabon S.A., Tullow Cote d'Ivoire Limited, Tullow Equatorial Guinea Limited, Tullow Congo Limited Tullow Ghana Limited and Tullow Exploration & Production Netherlands B.V.; and (ix) certain French law bank account pledge agreements granted by the Company and Tullow Oil SK Limited. See "—RBL Lender Intercreditor Agreement" regarding enforcement of this security.

Commitments and additional commitments

The Senior Secured Revolving Credit Facility Agreement provides for a revolving credit facility in an aggregate amount not exceeding the total commitments from time to time. As of December 31, 2013, the total commitments under the Senior Secured Revolving Credit Facility were $3,500 million. Subject to certain conditions, we may request an increase in the commitments up to an aggregate increase of $500.0 million or, if the IFC Senior Secured Revolving Credit Facility (as defined below) has been repaid and cancelled in full, $665.0 million. We cannot make more than two such requests and cannot make requests after November 7, 2016.

The total amount that may be drawn is limited by a borrowing base amount which is reassessed on a semi-annual basis each March 31 and September 30 and is determined based on cash flow projections for borrowing base assets and is subject to a ceiling of the maximum amount of loans that would result in a debt service coverage ratio of not less than 1.2:1 at all times during the relevant six-month period and the subsequent six-month period. There may also be an interim recalculation of the borrowing base amount in certain specified circumstances. The making of loans are also subject to customary drawstop events.

Reduction and repayment

The total commitments under the Senior Secured Revolving Credit Facility Agreement must be reduced to zero by the final maturity date, being the earlier of: (i) October 31, 2019; or (ii) the March 31 or September 30 (whichever is later) immediately preceding the first date on which the aggregate commercial reserves for all the relevant borrowing base assets to which the Senior Secured Revolving Credit Facility is referable are projected to be 20% (or less) of the aggregate of initial reserves. Each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The total commitments under the Senior Secured Revolving Credit Facility reduce at a rate of approximately $381 million per six-month period beginning on October 1, 2016 through March 31, 2019 and approximately $286 million during the period from April 1, 2019 through September 30, 2019, with the total commitments falling to zero on the final maturity date.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Secured Revolving Credit Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the global senior agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, any lender may by notice to us and the global senior agent cancel its commitments immediately and each borrower must, within 15 business days of receiving such notice, repay such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents, and, in the case of any letter of credit, provide full cash cover in respect of that lender's participation in any outstanding letter of credit.

The Senior Secured Revolving Credit Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), a borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the Senior Secured Revolving Credit Facility Agreement without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10 million (with integral multiples of

$10 million), on not less than five business days' (or such shorter period as a two-thirds majority of senior lenders may agree) prior notice to the global senior agent.

Interest and fees

The rate of interest payable on loans under the Senior Secured Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (in the case of loans in U.S. dollars or pounds sterling) or EURIBOR (in the case of loans in euros) and the mandatory cost (if any). The applicable margin varies based on a field life cover ratio and the date on which the loan is outstanding. Default interest is also payable, at a rate of 2% per annum higher than the standard rate of interest payable on loans under the Senior Secured Revolving Credit Facility, on overdue amounts. The borrowers are required to pay a commitment fee, quarterly in arrears, based on:

(a) the daily amount (if any) by which the aggregate commitments under the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility (the "**Global Commitments**") exceed the amount which is the lower of (i) the sum of the applicable borrowing base amount applicable on that day and $350.0 million and (ii) the Global Commitments applicable on that day (such lower amount being the "**Maximum Available Amount**"), at a percentage rate per annum calculated by multiplying the then applicable margin by a set rate; and

(b) the daily amount (if any) by which the Maximum Available Amount exceeds the sum of the outstanding loans under the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility, at a percentage rate per annum calculated by multiplying the then applicable margin by a set rate.

Each borrower that has requested a letter of credit under the Senior Secured Revolving Credit Facility is also required to pay a commission quarterly in arrears based on:

(a) the daily amount (if any) by which the exposure under each letter of credit (being the daily difference between the face value of each letter of credit and the aggregate amount of all claims thereunder that have been paid, the "**LC Exposure**") exceeds the amount of approved cash cover provided for that letter of credit, at a percentage rate per annum calculated by multiplying the then applicable margin by a set number; and

(b) the daily amount of the LC Exposure under each letter of credit in respect of which approved cash cover has been provided, at a set rate per annum.

Representations and warranties

The Senior Secured Revolving Credit Facility Agreement includes certain customary representations and warranties, subject to certain exceptions and appropriate materiality qualifications including representations with respect to:

- status;
- powers and authority;
- legal validity;
- non-conflict with constitutional documents, laws or certain documents;
- ranking;
- no insolvency;
- no default;
- accuracy of most recent financial statements delivered;
- compliance with tax laws;
- maintenance of necessary insurances; and
- material adverse change.

Negative covenants

The Senior Secured Revolving Credit Facility Agreement includes certain restrictive covenants, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each borrower and each guarantor (and where expressly provided, certain other key companies that are neither borrowers nor guarantors) to, among other things:

- create security;
- dispose of all or any part of borrowing base assets;
- merge or consolidate with other companies or make acquisitions;
- make a substantial change to the general nature of its business;
- incur indebtedness or provide guarantees;
- allow its rights under certain project documents to be terminated, suspended or limited; and
- make loans or extend credit to third-parties.

Affirmative covenants

The Senior Secured Revolving Credit Facility Agreement requires each borrower and each guarantor (and in certain cases, certain other key companies that are neither borrowers nor guarantors) to observe certain affirmative covenants, subject to certain exceptions and including, but not limited to, covenants relating to:

- maintenance of corporate existence and relevant authorizations;
- compliance with laws, including environmental laws and regulations;
- payment of taxes;
- certain actions in respect of the borrowing base assets;
- maintenance of insurance;
- ensuring that its obligations under certain finance documents rank at least *pari passu* with its other unsecured obligations;
- using reasonable efforts to incur certain agreed capital expenditures;
- maintenance of ownership of material subsidiaries;
- provision of financial (including annual audited and semi-annual unaudited consolidated financial statements of the Company), reserves and other information to lenders; and
- compliance with the agreed hedging policy.

Financial covenant

The Senior Secured Revolving Credit Facility requires us to comply with a maximum ratio of consolidated total net borrowings to consolidated EBITDA of (i) 3.5:1 on the last day of each measurement period (being each of our financial half-years) ending on or before August 31, 2017 and (ii) 3:1 on the last day of each measurement period ending after August 31, 2017. These financial terms are defined in the Senior Secured Revolving Credit Facility Agreement and may not correspond to similarly titled metrics in our consolidated financial statements or this Offering Memorandum.

The ratio is tested biannually with respect to the most recent financial statements delivered pursuant to the Senior Secured Revolving Credit Facility Agreement. In the event of non-compliance with the above ratios, the Senior Secured Revolving Credit Facility Agreement (subject to certain limitations) allows us to procure a cure of such noncompliance by a cash subscription for our ordinary shares and/or receipt of an injection of cash by way of certain subordinated debt such that the relevant ratio is satisfied by reducing consolidated total net borrowings accordingly. No more than one such equity cure can be made within a 12-month period and no more than two equity cures may be made during the period from March 16, 2009 to the final maturity date of the Senior Secured Revolving Credit Facility.

Events of default

The Senior Secured Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the senior lenders (if a two-thirds majority of the senior lenders so direct) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or declare that full cash cover in respect of each letter of credit is immediately due and payable. The events of default include, among other events and subject in certain cases to grace periods, thresholds and other qualifications:

- non-payment of amounts due and payable under a finance document;
- breach of financial covenants or other obligations;
- inaccuracy of a representation in any material respect when made or deemed to be repeated;
- cross-defaults under the Junior Secured Revolving Credit Facility Agreement (as defined below) or the IFC Senior Secured Revolving Credit Facility Agreement;
- certain other cross-defaults in respect of indebtedness equal to or in excess of $75 million (or equivalent in other currencies);
- insolvency or insolvency proceedings;
- enforcement of security securing debt or attachment of assets, in each case in excess of $75 million;
- cessation of business;
- invalidity or unlawfulness of the finance documents or certain project documents;
- any subsidiary holding an interest in borrowing base assets or obligor ceasing to be wholly-owned by us;
- nationalization or expropriation (or announcement of intent in respect thereof) of all or any part of any borrowing base asset or any oil and gas or revenues derived therefrom in a manner which would result in a material adverse change;
- abandonment of any borrowing base asset that contributes in excess of $100 million to the then applicable net present value (as described therein);
- the making of any judgment or award in litigation, arbitration or administrative proceedings against an obligor or other key subsidiary which, after deducting amounts receivable by such obligor or key subsidiary under insurances, is equal to or exceeds $100 million (expected to be increased to $300 million as of the Issue Date) or commencement of any such proceeding where it would result in a material adverse change, if the same were adversely determined;
- audited financial statements being qualified in any way; and
- material adverse change.

Governing law

The Senior Secured Revolving Credit Facility Agreement is governed by English law.

IFC senior secured revolving credit facility

We have entered into a finance contract in respect of a senior secured revolving credit facility dated as of May 29, 2009, as amended and restated pursuant to an amendment and restatement agreement dated October 31, 2012 and as amended, restated or acceded to from time to time, with International Finance Corporation ("**IFC**") as original lender and agent, (the "**IFC Senior Secured Revolving Credit Facility Agreement**").

Pursuant to the IFC Senior Secured Revolving Credit Facility Agreement, a revolving facility (the "**IFC Senior Secured Revolving Credit Facility**") has been made available to the Company and certain of its subsidiaries as borrowers. The IFC Senior Secured Revolving Credit Facility may be utilized in US dollars, pounds sterling or euro by drawing of cash advances. Borrowings may be used for the purposes of funding the capital expenditure program approved by the global technical banks and for general corporate purposes (including acquisitions).

Borrowers and guarantors

The IFC Senior Secured Revolving Credit Facility has the same borrowers and guarantors as the Senior Secured Revolving Credit Facility. A mechanism is included in the IFC Senior Secured Revolving Credit Facility Agreement to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the IFC Senior Secured Revolving Credit Facility, subject to certain conditions.

Guarantees

Each guarantor listed above has provided (among other things) a guarantee of all amounts payable to the Finance Parties (as defined in the IFC Senior Secured Revolving Credit Facility Agreement) by any other borrower or guarantor in connection with the IFC Senior Secured Revolving Credit Facility Agreement.

Security

The IFC Senior Secured Revolving Credit Facility is secured by the same security that secures the Senior Secured Revolving Credit Facility and the Junior Secured Revolving Credit Facility.

See "—RBL Lender Intercreditor Agreement" regarding enforcement of this security.

Commitments

The IFC Senior Secured Revolving Credit Facility provides for a revolving facility in an aggregate amount not exceeding the total commitments from time to time. As of December 31, 2013, the total commitments under the IFC Senior Secured Revolving Credit Facility were $165 million

The borrowing base amount is reassessed in a similar manner to that of the Senior Secured Revolving Credit Facility.

Reduction and repayment

The total commitments under the IFC Senior Secured Revolving Credit Facility Agreement must be reduced to zero by the final maturity date, being the earlier of (i) October 31, 2019 or (ii) the March 31 or September 30 (whichever is later) immediately preceding the first date on which the aggregate commercial reserves for all the relevant borrowing base assets to which the IFC Senior Secured Revolving Credit Facility is referable are projected to be 20% (or less) of the aggregate of initial reserves for all such borrowing base assets. Each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The total commitments under the IFC Senior Secured Revolving Credit Facility reduce at a rate of approximately $20.0 million per six-month period beginning on October 1, 2016 through March 31, 2019 and approximately $14.0 million during the period from April 1, 2019 through September 30, 2019, with the total commitments falling to zero on the final maturity date.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the IFC Senior Secured Revolving Credit Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the global senior agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, any lender may by notice to us and the global senior agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

The IFC Senior Secured Revolving Credit Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), a borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the IFC Senior Secured Revolving Credit Facility Agreement without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10.0 million (with integral multiples of $10.0 million), on not less than five business days' (or such shorter period as a two-thirds majority of the senior lenders may agree) prior notice to the global senior agent.

Interest and fees

The rate of interest payable on the loans under the IFC Senior Secured Revolving Credit Facility is calculated following the same formula used to determine interest under the Senior Secured Revolving Credit Facility. For a description of the commitment fee payable under the IFC Senior Secured Revolving Credit Facility, see "—Senior secured revolving credit facility—Interest and fees."

Representations and warranties

The IFC Senior Secured Revolving Credit Facility Agreement includes representations and warranties similar to those in the Senior Secured Revolving Credit Facility Agreement (subject to similar exceptions and materiality qualifications). In addition, the IFC Senior Secured Revolving Credit Facility Agreement also includes certain other representations and warranties relating to specific environmental matters and sanctionable practices.

Negative and positive covenants

The IFC Senior Secured Revolving Credit Facility Agreement contains negative and positive covenants applicable to each borrower and each guarantor (and in certain cases, certain other key companies that are neither borrowers nor guarantors) similar to, and subject to similar exceptions as, those under the Senior Secured Revolving Credit Facility Agreement.

In addition, the IFC Senior Secured Revolving Credit Facility Agreement requires each borrower and each guarantor (and in certain cases, certain other key companies that are neither borrowers nor guarantors) to observe additional covenants, subject to certain exceptions, relating to the development of the Jubilee, Tweneboa, Enyenra and Ntomme fields in Ghana. These covenants include, but are not limited to:

- compliance with an environmental and social action plan agreed between us and IFC and other specified environmental, social, safety and health standards and implementation of related risk-assessment and risk-management measures;

- prohibition on corrupt, fraudulent, coercive, collusive or obstructive practices; and

- publicly disclosing the aggregate amount of national, regional and local payments (in respect of taxes, royalties, bonus and signature payments and all other material payments that are in the nature of taxes, profit share, production share or for rights to access resources) made to the Ghanaian public authorities in each financial year.

The IFC Senior Secured Revolving Credit Facility also requires us to comply with the same ratio of consolidated total net borrowings to consolidated EBITDA as that in the Senior Secured Revolving Credit Facility and provides for the same equity cure options. These financial terms are defined in the IFC Senior Secured Revolving Credit Facility and may not correspond to similarly titled metrics in our consolidated financial statements or this Offering Memorandum.

Financial covenant

The IFC Senior Secured Revolving Credit Facility Agreement requires us to comply with the same financial covenant as that in the Senior Secured Revolving Credit Facility Agreement and provides for the same equity cure options.

Events of default

The IFC Senior Secured Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the senior lenders (if a two-thirds majority of the senior lenders so directs) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand. These events of default, including in certain cases grace periods, thresholds and other qualifications, are similar to those in the Senior Secured Revolving Credit Facility Agreement.

Governing law

The IFC Senior Secured Revolving Credit Facility Agreement is governed by English law.

Junior secured revolving credit facility

We have entered into a junior secured revolving credit facility dated as of August 22, 2005, as amended and restated pursuant to an amendment and restatement agreement dated October 31, 2012 and as amended, restated or acceded to from time to time, with, among others, Bank of America, N.A., Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, Amsterdam Branch, DNB Bank ASA, HSBC Bank plc, ING Bank N.V., Lloyds TSB Bank plc, Natixis, Nedbank Limited, London Branch, Standard Chartered Bank, The Royal Bank of Scotland plc and The Standard Bank of South Africa Limited (acting through its corporate and investment banking division, Standard Bank of South Africa Limited) as mandated lead arrangers and original lenders, Lloyds TSB Bank plc as modeling bank, a technical bank and coordinating technical bank, BNP Paribas as agent, security trustee and a technical bank, and Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank each as a technical bank (the "**Junior Secured Revolving Credit Facility Agreement**").

Pursuant to the Junior Secured Revolving Credit Facility Agreement, a revolving facility (the "**Junior Secured Revolving Credit Facility**") has been made available to the Company and certain of its subsidiaries as borrowers. The Junior Secured Revolving Credit Facility may be utilized in US dollars, pounds sterling or euro by drawing of cash advances. Borrowings may be used for the purposes of meeting liabilities under the Senior Secured Revolving Credit Facility Agreement in relation to any letter of credit in respect of which demands have been made, funding the capital expenditure program approved by the global technical banks and for general corporate purposes (including acquisitions).

Borrowers and guarantors

The Junior Secured Revolving Credit Facility has the same borrowers and guarantors as the Senior Secured Revolving Credit Facility. A mechanism is included in the Junior Secured Revolving Credit Facility Agreement to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the Junior Secured Revolving Credit Facility, subject to certain conditions.

Guarantees

Each of the guarantors listed above has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the Junior Secured Revolving Credit Facility Agreement) by any other borrower or guarantor under the Junior Secured Revolving Credit Facility Agreement.

Security

The Junior Secured Revolving Credit Facility is secured by the same security that secures the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility. See "—RBL Lender Intercreditor Agreement" regarding enforcement of this security.

Commitments

The Junior Secured Revolving Credit Facility provides for a revolving credit facility in an aggregate amount not exceeding the total commitments from time to time. As of December 31, 2013, the total commitments under the Junior Secured Revolving Credit Facility were $100 million.

The borrowing base amount is reassessed in a similar manner to that of the Senior Secured Revolving Credit Facility.

Reduction and repayment

The total commitments under the Junior Secured Revolving Credit Facility Agreement must be repaid in full on the final maturity date, being the earlier of: (i) October 31, 2019 or (ii) the March 31 or September 30 (whichever is later) immediately preceding the first date on which the aggregate commercial reserves for all the relevant borrowing base assets to which the Junior Secured Revolving Credit Facility is referable are projected to be 20% (or less) of the aggregate of initial reserves for all such borrowing base assets. Each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The total commitments under the Junior Secured Revolving Credit Facility reduce at a rate of $15 million per six-month period beginning on October 1, 2016 through September 30, 2017 and $20 million from October 1, 2017 through March 31, 2018, with the total commitments falling to zero on the final maturity date.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Junior Secured Revolving Credit Facility Agreement or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, any lender may by notice to us and the agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

The Junior Secured Revolving Credit Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), a borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the Junior Secured Revolving Credit Facility without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or prepayment of $10 million (with integral multiples of $10 million), on not less than five business days' (or such shorter period as a two-thirds majority of the lenders may agree) prior notice to the agent.

Interest and fees

The rate of interest payable on the loans under the Junior Secured Revolving Credit Facility is calculated following the same formula used to determine interest under the Senior Secured Revolving Credit Facility. The applicable margin is equal to a base rate per annum plus the margin applicable to the outstanding loans on such day under the Senior Secured Revolving Credit Facility or the IFC Senior Secured Revolving Credit Facility (or if no loans are outstanding, that would be applicable to a $10 million loan under either of those facilities).

The borrowers are also required to pay a commitment fee, quarterly in arrears, based on:

(a) the daily amount (if any) by which the aggregate commitments under the Junior Secured Revolving Credit Facility exceed the amount which is the lower of the junior borrowing base amount on that day and the aggregate commitments available on such day (such lower amount being the "**Junior Maximum Available Amount**"), at a percentage rate per annum which is the lower of: (i) the percentage rate per annum calculated by multiplying the then applicable margin by a set rate; and (ii) a set floor; and

(b) the daily amount (if any) by which the Junior Maximum Available Amount exceeds the sum of the outstanding loans under the Junior Secured Revolving Credit Facility, at a percentage rate per annum which is the lower of: (i) the percentage rate per annum calculated by multiplying the then applicable margin by a set rate; and (ii) a set floor.

Representations and warranties

The Junior Secured Revolving Credit Facility Agreement includes certain representations and warranties similar to those in the Senior Secured Revolving Credit Facility Agreement (subject to similar exceptions and materiality qualifications).

Negative and positive covenants

The Junior Secured Revolving Credit Facility Agreement includes negative and positive covenants similar to, and subject to similar exceptions as, those under the Senior Secured Revolving Credit Facility Agreement.

Financial covenant

The Junior Secured Revolving Credit Facility Agreement requires us to comply with the same financial covenant as that in the Senior Secured Revolving Credit Facility Agreement and provides for the same equity cure options.

Events of default

The Junior Secured Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the junior lenders (if a two-thirds majority of the lenders so directs) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand. These events of default, including in certain cases grace periods, thresholds and other qualifications, are similar to those in the Senior Secured Revolving Credit Facility Agreement.

Governing law

The Junior Secured Revolving Credit Facility Agreement is governed by English law.

Corporate facility

We have entered into a secured revolving credit facility, dated as of December 14, 2009, as amended and restated pursuant to amendment and restatement agreements dated October 31, 2012 (the "**Corporate Facility Amendment and Restatement Agreement**") and as amended, restated or acceded to from time to time, with, among others, Banc of America Securities Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., Natixis, Société Générale, Standard Chartered Bank, The Royal Bank of Scotland plc and The Standard Bank of South Africa Limited, as mandated lead arrangers, BNP Paribas as agent and security trustee and Crédit Agricole Corporate and Investment Bank as technical bank (the "**Corporate Facility Agreement**"). We expect to enter into a further amendment to the Corporate Facility Agreement prior to the Issue Date (the "**Corporate Facility Amendment and Restatement Agreement**").

Pursuant to the Corporate Facility Agreement, a revolving credit facility (the "**Corporate Facility**") has been made available to the Company as borrower. The Corporate Facility may be utilized in U.S. dollars, pounds sterling or euro by drawing of cash advances. Borrowings may be used for the purposes of funding oil and gas related expenditure of the Company and its subsidiaries from time to time and for general corporate purposes (including acquisitions).

Borrowers and guarantors

The Company is the original borrower under the Corporate Facility. The Company, Tullow Oil SK Limited, Tullow Cote d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Congo Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Uganda Limited, Tullow Uganda Operations Pty. Ltd. and Tullow Exploration & Production Netherlands B.V. are, and pursuant to the Corporate Facility Amendment and Restatement Agreement Tullow Kenya B.V. will be, guarantors under the Corporate Facility. A mechanism is included in the Corporate Facility Agreement to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the Corporate Facility, subject to certain conditions.

Security

The Corporate Facility is secured by way of: (i) a first-ranking Isle of Man law share charge granted over the shares in Tullow Uganda Limited; (ii) a first-ranking Western Australia law share charge over the shares in Tullow Uganda Operations Pty Limited, (iii) a second-ranking Jersey law share charge over the shares in Tullow Oil International Limited and (iv) pursuant to the Corporate Facility Amendment and Restatement Agreement, a first-ranking Dutch law share charge over the shares in Tullow Kenya B.V.

Commitments and additional commitments

The Corporate Facility provides for a revolving credit facility in an aggregate amount not exceeding the lower of: (i) total commitments from time to time; and (ii) our debt capacity amount, which is calculated by reference to our contingent resources and is reassessed on a semi-annual basis. There may be an interim re-calculation of the debt capacity amount in certain specified circumstances. Pursuant to the Corporate Facility Amendment and Restatement Agreement, we expect that the total commitments under the Corporate Facility will increase from $500 million to $750 million prior to the Issue Date and that the Corporate Facility will be undrawn on the Issue Date.

Guarantees

Each of the guarantors listed above has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the Corporate Facility Agreement) by any other borrower or guarantor in connection with the Corporate Facility Agreement.

Reduction and repayment

The total commitments made under the Corporate Facility must be reduced to zero by the final maturity date, which will be, pursuant to the Corporate Facility Amendment and Restatement Agreement, on or about the date that is three years from on or about April 4, 2014 (the "**Financial Closing Date**"). Each loan must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The amounts available for drawing under the Corporate Facility are reduced or increased (as the case may be) each March 31 and September 30 after the Financial Closing Date to the lower of: (i) the total commitments applicable on such date; and (ii) our debt capacity amount on such date, which is calculated based on our contingent resources and reassessed on a semi-annual basis (or on an interim basis in certain specified circumstances). A reduction in the debt capacity amount does not reduce or cancel any of the commitments.

Mandatory prepayment

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Corporate Facility or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once that lender has notified us (through the agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

If we experience certain change of control events, any lender may by notice to us and the agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

If the total commitments under the Senior Secured Revolving Credit Facility are cancelled or reduced to zero on any date or the borrowers under the Senior Secured Revolving Credit Facility are required to repay all loans under the Senior Secured Revolving Credit Facility, then any lender under the Corporate Facility can by notice to us require that its commitment under the Corporate Facility be reduced to zero and that its outstanding loans be repaid.

If certain material adverse changes have, in the reasonable opinion of a two-thirds majority of the lenders, occurred, a two-thirds majority of the lenders may require that the total commitments be cancelled immediately and that all loans and other outstanding amounts under the Corporate Facility be repaid.

The Corporate Facility Agreement also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

Voluntary prepayment and cancellation

Subject to payment of break costs (if any), a borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the Corporate Facility without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or repayment of $10 million (with integral multiples of $10 million), on not less than five business days' (or such shorter period as a two-thirds majority of the lenders may agree) prior notice to the agent.

Interest and fees

The rate of interest payable on the loans under the Corporate Facility Agreement is the rate per annum equal to the aggregate of a margin plus LIBOR (in the case of loans in U.S. dollars or pounds sterling) or EURIBOR (in the case of loans in euros) and the mandatory cost (if any).

The borrowers are required to pay a commitment fee on available but unutilized commitments under the Corporate Facility, quarterly in arrears from the Financial Closing Date to the final maturity date (or if earlier, the date on which the total commitments are reduced to zero) at a rate equal to a percentage of the applicable margin.

Representations and warranties

The Corporate Facility includes certain customary representations and warranties, subject to certain exceptions and appropriate materiality qualifications, including representations with respect to:

- status;
- powers and authority;
- legal validity;
- non-conflict with constitutional documents, laws or certain documents;
- ranking;
- no insolvency;
- no default;
- accuracy of most recent financial statements delivered;
- compliance with tax laws;
- maintenance of necessary insurances; and
- material adverse change.

Negative and positive covenants

The Corporate Facility Agreement contains negative and positive covenants similar, and subject to similar exceptions, to those under the Senior Secured Revolving Credit Facility Agreement.

Financial covenant

The Corporate Facility Agreement requires us to comply with a maximum ratio of consolidated total net borrowings to consolidated EBITDA of 3.5:1 on the last day of each measurement period (being each of our financial half-years) and provides for an equity cure option similar to that in the Senior Secured Revolving Credit Facility Agreement. These financial terms are defined in the Corporate Facility Agreement and may not correspond to similarly titled metrics in our consolidated financial statements or this Offering Memorandum.

The ratio is tested each June 30 and December 31 with respect to the most recent finance statements delivered pursuant to the Corporate Facility Agreement.

Events of default

The Corporate Facility Agreement sets out certain events of default, the occurrence of which would allow the lenders (if a two-thirds majority of the lenders so direct) to cancel their commitments and/or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand. These events of default, including in certain cases grace periods, thresholds and other qualifications, are similar to those in the Senior Secured Revolving Credit Facility Agreement.

Governing law

The Corporate Facility Agreement is governed by English law.

Revolving Norwegian exploration finance facility agreement

Our subsidiaries Tullow Oil Norge AS (formerly Spring Energy Norway AS) and Tullow Oil (Bream) Norge AS (formerly Spring Energy Exploration AS) entered into a secured revolving exploration finance facility agreement dated as of June 19, 2012 with, among others, Merchant Banking, Skandinaviska Enskilda Banken AB (publ) as coordinating mandated lead arranger, bookrunner and agent and DNB Bank ASA as mandated lead arranger (the "**Norwegian Facility**") for the purposes of financing certain costs incurred by those subsidiaries that are eligible for an annual tax refund in Norway and repaying in full all amounts outstanding under a NOK 2,000 million revolving exploration finance facility. The Norwegian Facility has a maturity date of approximately the earlier of the date the 2014 tax reimbursement claims are received by the borrower and December 31, 2015 and an interest rate equal to a margin plus NIBOR.

Borrowers and guarantors

Tullow Oil Norge AS (formerly Spring Energy Norway AS) and Tullow Oil (Bream) Norge AS (formerly Spring Energy Exploration AS) are the borrowers and guarantors under the Norwegian Facility, jointly liable for all amounts outstanding thereunder.

Security

The Norwegian Facility is secured only by the assets of Tullow Oil Norge AS (formerly Spring Energy Norway AS) and Tullow Oil (Bream) Norge AS (formerly Spring Energy Exploration AS), including bank account charges, assignments of insurance and tax refund proceeds, share pledges, pledges of participation interests in licenses and pledges of intragroup loans.

Commitments and additional commitments

The Norwegian Facility provides for a revolving credit facility in an aggregate amount not exceeding the total commitments from time to time. As of December 31, 2013, total commitments under the Norwegian Facility were NOK 2,000 million (approximately $327 million) and NOK 968 million (approximately $159.4 million) of loans under the Norwegian Facility were outstanding.

The borrowers cannot incur under the Norwegian Facility an aggregate amount of borrowings that exceeds 95% of the tax value of Eligible Costs (as defined below) which have not already been refunded by the tax authorities (the "**Available Amount**").

Purpose

We are permitted to draw the funds available under the Norwegian Facility for the purposes of financing certain non-capitalized costs incurred by a borrower that is eligible for an annual tax refund in Norway (the "**Eligible Costs**") and repaying in full all amounts outstanding under an existing NOK 2,000 million secured revolving credit facility. We are specifically prohibited from using the Norwegian Facility to finance the acquisition of shares in other companies.

Availability

New amounts may be drawn under the Norwegian Facility up to and including December 31, 2014. Thereafter amounts repayable on a relevant interest payment date may be redrawn up to the termination date for the facility.

Reduction and repayment

Loans made under the Norwegian Facility must be repaid in full on the termination date, being the earlier of: (i) the date 2014 Norwegian tax reimbursement claims are received by the borrowers (expected to be December 22, 2015); and (ii) December 31, 2015.

The Available Amount under the Norwegian Facility reduces on the earlier of each date on which a refund is paid to a borrower by the Norwegian tax authorities and on December 31 in each year following a year in which the non-capitalized costs giving rise to a refund were incurred. In addition, if certain other events occur that would have the effect of reducing the refund that the borrowers otherwise would have received from the tax authorities, the Available Amount will be reduced by an amount equal to 95% of the amount by which the refund is or may be reduced and, if necessary, the affected borrower shall within five business days prepay the loan(s) in an amount sufficient for the loan not to exceed the relevant reduced Available Amount.

Loans must be repaid on the last day of the relevant interest period. Loans can be drawn in NOK only and a borrower may select interest periods of one month or three months for loans drawn up to and including December 31, 2014 and one month, three months or six months for loans drawn after December 31, 2014. Amounts repaid by the borrower may be re-borrowed, subject to certain exceptions.

Prepayment and cancellation

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Norwegian Facility or to fund or maintain its participation in a loan, the commitment of that lender will be immediately canceled once the agent has notified the relevant borrower of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the relevant lender.

If there is a change of control of Tullow Oil Norge AS (formerly Spring Energy Norway AS) and the new ownership structure creates “know your customer” or compliance issues for a lender which prevent that lender from continuing to perform its obligations under the Norwegian Facility, such lender may by notice (through the agent) to Tullow Oil Norge AS (formerly Spring Energy Norway AS) cancel its commitments immediately and, if applicable, each borrower must repay such lender’s participation in all outstanding loans on the last day(s) of the relevant interest period(s) or earlier if required by the relevant lender.

The Norwegian Facility also includes customary prepayment events and rights related to taxes and increased costs.

A borrower may voluntarily cancel the available commitments under the Norwegian Facility without penalty or premium, at any time in whole or in part, subject to a minimum cancellation of NOK 25,000,000 (or, if higher, in integral multiples thereof), on not less than 10 business days’ (or such shorter period as a two-thirds majority of the lenders may agree) prior notice to the agent and may voluntarily prepay amounts outstanding under a loan, without penalty or premium but subject to break costs (if any), at any time in whole or in part, subject to a minimum repayment of NOK 5,000,000, on not less than 10 business days’ (or such shorter period as a two-thirds majority of the lenders may agree) prior notice to the agent.

The rate of interest payable is calculated on the basis of a formula which incorporates the aggregate of a margin plus NIBOR.

The borrowers are required to pay a commitment fee quarterly in arrears based on the available commitments.

Tullow Oil Norge AS (formerly Spring Energy Norway AS) is required to pay to the agent an agency fee.

Representations and warranties

The Norwegian Facility includes certain representations and warranties usual for facilities of this type, subject to exceptions and appropriate materiality qualifications.

Covenants

The Norwegian Facility contains customary operating and financial covenants, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each borrower and each guarantor (and where expressly provided, the subsidiaries of Tullow Oil Norge AS (formerly Spring Energy Norway AS)) to, among other things:

- create security;
- sell, transfer, lease or dispose of all or any part of its assets;
- merge with other companies or make acquisitions;
- make a change to the general nature or scope of its business;
- incur indebtedness or issue guarantees;
- make distributions; and

- incur contractual obligations to the Norwegian government.

The Norwegian Facility also requires each borrower and each guarantor (and in certain cases, the subsidiaries of Tullow Oil Norge AS (formerly Spring Energy Norway AS)) to observe certain affirmative covenants, subject to certain exceptions and including, but not limited to, covenants relating to:

- obtaining and maintaining authorizations required to perform its obligations under the finance documents;
- compliance with laws;
- claiming all tax refunds it believes it is entitled to;
- notifying the agent of, inter alia, any: (i) current or threatened environmental claims; (ii) material correspondence with tax authorities; and (iii) intention to acquire participation interests in a license or sub- let a rig it has chartered;
- maintenance of insurance; and
- provision of financial information to the lenders quarterly and annually and an updated business plan to the lenders annually, including in respect of the latter evidence that Tullow Oil Norge AS's (formerly Spring Energy Norway AS) committed equity funding, together with the amounts available under the Norwegian Facility, are sufficient to perform its business plan.

Events of default

The Norwegian Facility sets out certain events of default, the occurrence of which would allow the lenders (if a two-thirds majority of the lenders so direct) to cancel their commitments and/or declare that all or part of any loan and other amounts outstanding are immediately due and payable and/or immediately payable on demand. The events of default include, among other events and subject in certain cases to grace periods, thresholds and other qualifications:

- non-payment of amounts due under a finance document;
- breach of financial covenants or other obligations;
- inaccuracy of a representation or statement when made or deemed to be repeated;
- cross-defaults in respect of indebtedness that, in aggregate, exceed NOK 10,000,000 (in the case of an obligor) or NOK 20,000,000 (in the case of any other subsidiary of Tullow Oil Norge AS (formerly Spring Energy Norway AS));
- insolvency or insolvency proceedings;
- expropriation, sequestration or attachment of assets in excess of NOK 1,000,000;
- security securing the Norwegian Facility ceasing to be first-ranking or be valid, binding, perfected and enforceable;
- cessation of business;
- repudiation of the finance documents;

- loss or material modification of authorizations required to comply with the finance documents;
- change of control of Tullow Oil Norge AS (formerly Spring Energy Norway AS);
- Tullow Oil Norge AS (formerly Spring Energy Norway AS) ceasing to hold the entire issued share capital and voting rights of each other borrower;
- commencement of non-frivolous litigation which, if adversely determined, would have a material adverse effect;
- failure to claim refunds which it is entitled to claim under the Norwegian Petroleum Tax Act 1975; and
- material adverse change.

RBL Lender Intercreditor Agreement

We have entered into an intercreditor agreement in connection with the Senior Secured Revolving Credit Facility, the IFC Senior Secured Revolving Credit Facility and the Junior Secured Revolving Credit Facility (collectively, the "**RBL Facilities**") dated as of August 22, 2005, as amended and restated pursuant to an amendment and restatement agreement dated October 31, 2012, with, among others, the other borrowers and guarantors of the RBL Facilities (together with us, the "**Obligors**"), the lenders under the RBL Facilities and BNP Paribas as security trustee (the "**RBL Lender Intercreditor Agreement**").

The lenders under the RBL Facilities are the only creditors party to the RBL Lender Intercreditor Agreement. For the avoidance of doubt, the trustee for the Notes will not be required to become party to the RBL Lender Intercreditor Agreement.

Ranking and priority

The RBL Lender Intercreditor Agreement provides that liabilities owed by the Obligors to the lenders under the Senior Secured Revolving Credit Facility and the IFC Senior Secured Revolving Credit Facility (collectively, the "**Senior Debt Agreements**"), certain banks that act as counterparties to certain secured hedging agreements entered into in accordance with, variously, the RBL Lender Intercreditor Agreement and the RBL Facilities (the "**Hedging Agreements**"), certain providers of secured letters of credit not provided under the RBL Facilities (the "**Non-Facility LC Agreements**") and lenders under the Junior Secured Revolving Credit Facility (together with the lenders under the Senior Debt Agreements, the banks acting as counterparties to the Hedging Agreements and the providers of the Non-Facility LC Agreements, the "**Secured Creditors**") shall rank in the following order:

(i) first, liabilities owed under the Senior Debt Agreements, Hedging Agreements and Non-Facility LC Agreements, *pari passu* and without preference as between any such liabilities (the "**Senior Bank Liabilities**"); and

(ii) second, liabilities owed under the Junior Secured Revolving Credit Facility (the "**Junior Bank Liabilities**").

Priority of security

The RBL Lender Intercreditor Agreement provides that security provided by the Obligors for the Senior Bank Liabilities shall secure such liabilities in priority to the Junior Bank Liabilities.

Senior debt

The RBL Lender Intercreditor Agreement provides that the Senior Secured Revolving Credit Facility and IFC Senior Secured Revolving Credit Facility shall rank *pari passu* at all times and the security documents securing the Senior Debt Agreements shall at all times secure the Senior Secured Revolving Credit Facility and IFC Senior Secured Revolving Credit Facility *pari passu*.

Permitted payments

The RBL Lender Intercreditor Agreement provides that each Obligor may make (and each Secured Creditor may receive) payments in respect of the Senior Bank Liabilities and the Junior Bank Liabilities, in each case, in accordance with those respective documents governing such debt, provided that no notice accelerating any of the debt due under the Senior Debt Agreements or the Junior Secured Revolving Credit Facility Agreement has been issued for any other notice hereunder exercising other remedies following an event of default or, if any such notice has been given, that the relevant instructing group has consented to such payment. On and from the date on which the relevant agent has delivered any such notice pursuant to the terms of a Senior Debt Document or Junior Secured Revolving Credit Facility Agreement (as applicable) and provided a copy to the other agents, the repayment of all Senior Bank Liabilities and Junior Bank Liabilities must be made in accordance with the order set out at "—Application of Proceeds" below.

Entitlement to enforce and accelerate

BNP Paribas (the "**Security Trustee**") acts as security trustee for the Secured Creditors on the terms set in the RBL Lender Intercreditor Agreement which provides that the Security Trustee will exercise rights to enforce (or not to enforce) the security documents securing the Senior Bank Liabilities in accordance with instructions provided by the relevant instructing group. The relevant instructing group for the purposes of enforcement of security is:

(i) the lenders under the Senior Debt Agreements and the providers of the Non-Facility LC Agreements who are also lenders under the Senior Debt Agreements whose exposures aggregate more than 66.67% of the total exposures of those parties outstanding under those agreements (the "**Majority Senior Beneficiaries**");

(ii) if the Senior Enforcement Date (as defined below) has occurred and a two-thirds majority of the lenders under the IFC Senior Secured Revolving Credit Facility Agreement have issued a notice in accordance with the RBL Lender Intercreditor Agreement confirming their intention to instruct the Security Trustee to enforce the security documents, the relevant standstill period (30 or 60 days, dependent on the event of default in respect of which enforcement action is to be taken) has elapsed since the date such notice was issued and either the Majority Senior Beneficiaries have instructed the security trustee not to so enforce or have not provided any instructions in this respect, a two-thirds majority of the lenders under the IFC Senior Secured Revolving Credit Facility;

(iii) if the Senior Enforcement Date has occurred and a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility have issued a notice confirming their intention to instruct the Security Trustee to enforce the security documents, 60 or more days have elapsed since the date such notice was issued and either the Majority Senior Beneficiaries have instructed the security trustee not to so enforce or have not provided any instructions in this respect, a two-thirds majority of the lenders under the Senior Secured Revolving Credit Facility;

(iv) on and from the Senior Discharge Date (as defined below), a two-thirds majority of the lenders under the Junior Secured Revolving Credit Facility (the "**Majority Junior Lenders**"); or

(v) if the Junior Enforcement Date (as defined below) has occurred before the Senior Discharge Date and the relevant instructing group as described in paragraphs (i), (ii) or (iii) above (each, as applicable, a "**Relevant Senior Instructing Group**") has either: (A) instructed the Security Trustee not to enforce the security documents or take any action in connection with the recovery of any of the outstanding debt; or (B) not provided any instructions within five business days of the issue of a notice from the agent under the Junior Secured Revolving Credit Facility to the global senior agent of their intention to instruct the Security Trustee to enforce the security documents, the Majority Junior Lenders.

Subject to the above and certain other exceptions, none of the Secured Creditors may take any enforcement action at any time as described in the following paragraphs.

The lenders under the Senior Debt Agreements may accelerate any outstanding loans and cancel commitments under the Senior Debt Agreements if certain events of default have occurred and are continuing and the relevant standstill period (60 days in the case of the Senior Secured Revolving Credit Facility and 30 or 60 days, dependent on the event of default in respect of which acceleration is to be effected, in the case of the IFC Senior Secured Revolving Credit Facility) has elapsed.

A counterparty to a Hedging Agreement may not take any enforcement action at any time except that it may terminate or close out any hedging transaction under a Hedging Agreement and demand repayment of sums outstanding thereunder prior to its stated maturity if, among other things:

(i) certain illegality or tax events have occurred;

(ii) an Obligor has not paid an amount due under a Hedging Agreement to which it is a party and such non-payment has continued for three business days after notice of that default (and such counterparty's intention to terminate or close out) has been given to the Security Trustee and us;

(iii) insolvency proceedings are commenced in respect of any relevant Obligor and are not discharged within one month;

(iv) an agent under the Senior Debt Agreements or the Junior Secured Revolving Credit Facility has issued a notice to accelerate the relevant debt (a "**Senior Enforcement Date**" or "**Junior Enforcement Date**," respectively) and all or any amounts accrued or outstanding under the Senior Debt Agreements or the Junior Secured Revolving Credit Facility, as applicable, have become immediately due and payable;

(v) we experience a change of control of (as described in the Senior Secured Revolving Credit Facility Agent);

(vi) the Security Trustee has confirmed to the relevant counterparty that no amount under the Senior Debt Agreements is outstanding or is capable of being outstanding; or

(vii) the prior consent of the Security Trustee is obtained.

A provider of a letter of credit pursuant to a Non-Facility LC Agreement may not take any independent enforcement action at any time except that it may exercise its rights to accelerate any liabilities under a Non-Facility LC Agreement or declare such amounts prematurely payable if, among other things:

(i) an Obligor has not paid an amount due under a Non-Facility LC Agreements and such non-payment has continued for 21 days after notice of that default (and such provider's intention to accelerate or declare any Non-Facility LC debt prematurely payable) has been given to the Security Trustee;

(ii) insolvency proceedings are commenced in respect of any relevant Obligor and are not discharged within one month;

(iii) the earlier of the Senior Enforcement Date and Junior Enforcement Date has occurred and all or any amounts accrued or outstanding under the Senior Debt Agreements or the Junior Secured Revolving Credit Facility have become immediately due and payable;

(iv) the Security Trustee has confirmed to the relevant provider that no amount under the Senior Debt Agreements is outstanding or is capable of being outstanding; or

(v) the prior consent of the Security Trustee is obtained.

The lenders under the Junior Secured Revolving Credit Facility may not take any enforcement action at any time except that they may accelerate any liabilities under the Junior Secured Revolving Credit Facility or declare such amounts prematurely payable if, among other things:

(i) the Senior Enforcement Date has occurred and all or any amounts accrued or outstanding under the Senior Debt Agreements have become immediately due and payable;

(ii) all Senior Bank Liabilities have been unconditionally and irrevocably paid and discharged in full (the "Senior Discharge Date");

(iii) an event of default under the Junior Secured Revolving Credit Facility Agreement has occurred and is continuing, notice of the same has been given by the agent under the Junior Secured Revolving Credit Facility Agreement to the global senior agent and the Security Trustee, the relevant standstill period (90, 120 or 150 days, dependent on the event of default which has occurred under the Junior Secured Revolving Credit Facility) has elapsed and the relevant event of default is still continuing, the lenders under the Senior Debt Agreements have not exercised their rights under the RBL Lender Intercreditor Agreement to buy out the lenders under the Junior Secured Revolving Credit Facility and the global senior agent and the agent under the Junior Secured Revolving Credit Facility have not otherwise reached agreement on alternative arrangements satisfactory to a two-thirds majority of the lenders under the Junior Secured Revolving Credit Facility for the purposes of curing or addressing the relevant event of default; or

(iv) the majority senior lenders under the Senior Debt Agreements otherwise consent.

Turnover

Subject to certain exceptions, the RBL Lender Intercreditor Agreement requires that if (i) a Secured Creditor receives or recovers a payment or distribution in cash or in kind (including by way of set-off or combination of accounts) in respect of any liabilities which is not permitted by the RBL Lender Intercreditor Agreement or not received in accordance with the provisions described under "—Application of proceeds" or (ii) before the Senior Discharge Date, any lender under the Junior Secured Revolving Credit Facility receives or recovers a payment or distribution in cash or in kind (including by way of set-off or combination of accounts) from or on behalf of us or any of our subsidiaries on the account of the purchase or acquisition of any liabilities under the Junior Secured Revolving Credit Facility, then that Secured Creditor will, within three business days of the receipt or recovery, notify the Security Trustee of the same and, upon demand by the Security Trustee, pay such amount to the Security Trustee as the Security Trustee may determine is in excess of the amount such Secured Creditor was otherwise entitled to.

Application of proceeds

The RBL Lender Intercreditor Agreement provides that, subject to the rights of any creditor with prior security or any preferential claim, amounts received from the realization or enforcement of all or any part of the security granted in connection with the Senior Debt Agreements and Junior Secured Revolving Credit Facility Agreement or otherwise paid to or recovered by the Security Trustee pursuant to the applicable finance documents will be applied in the following order:

(i) first, in or towards payment *pro rata* of any unpaid fees, costs and expenses incurred in connection with the enforcement of any security under any security document or any other enforcement action for recovery of any debt, in each case, by or on behalf of the Security Trustee and any receiver, attorney, agent or similar officer appointed by the Security Trustee, and any other sum due to the Security Trustee under the various finance documents but unpaid;

(ii) second, in or towards payment *pro rata* to: (a) the agent under the Senior Secured Revolving Credit Facility Agreement for application towards the balance of the debt comprised by any unpaid fees, costs and expenses of the Administrative Finance Parties (as defined in the Senior Secured Revolving Credit Facility Agreement) under the Senior Secured Revolving Credit Facility documents and (b) the agent under the IFC Senior Secured Revolving Credit Facility Agreement for application towards the balance of the debt comprised by any unpaid fees, costs and expenses of the Administrative Finance Parties (as defined in the Senior Secured Revolving Credit Facility Agreement) under the IFC Senior Secured Revolving Credit Facility documents;

(iii) third, in or towards payment *pro rata* to the: (a) hedging counterparties under the Hedging Agreements of certain costs due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements for application towards any debt comprised by any accrued interest, commitment fees, commission or (if not already covered) any other fees due but unpaid under the relevant Senior Debt Agreements; and (c) providers of letters of credit under the Non-Facility LC Agreements for application towards the balance of the debt comprised by of accrued interest, commitment fees, commission and any other fees due but unpaid under the Non-Facility LC Agreements;

(iv) fourth, in or towards payment *pro rata* to the: (a) hedging counterparties under the Hedging Agreements of certain termination payments due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements for application towards the balance of the debt comprised by any principal or cash cover due but unpaid under the Senior Secured Revolving Credit Facility documents; and (c) providers of letters of credit under the Non-Facility LC Agreements of principal, cash collateral or counter-indemnity amounts due but unpaid under the Non-Facility LC Agreements;

(v) fifth, in or towards payment *pro rata* to the (a) hedging counterparties under the Hedging Agreements of any other sum due but unpaid under the Hedging Agreements; (b) agents under the Senior Debt Agreements towards the balance of the debt comprised by any other sum due but unpaid under the relevant finance documents; and (c) providers of letters of credit under the Non-Facility LC Agreements for application towards the balance of the debt comprised by any other sum due but unpaid under the Non-Facility LC Agreements;

(vi) sixth, in or towards payment to the agent under the Junior Secured Revolving Credit Facility Agreement for application towards the balance of amounts outstanding under the Junior Secured Revolving Credit Facility Agreement; and

(vii) seventh, in or towards payment of the surplus, if any, to the relevant Obligor or other person entitled to it.

Amendments

The RBL Lender Intercreditor Agreement provides that an amendment may be made in respect of the RBL Lender Intercreditor Agreement only if it is made by: (i) if prior to the Senior Discharge Date and the date on which all debt under the Junior Secured Revolving Credit Facility has been unconditionally and irrevocably paid and discharged in full (the "**Junior Discharge Date**"), the Relevant Senior Instructing Group and the Majority Junior Lenders; (ii) if the Senior Discharge Date has occurred, the Majority Junior Lenders or (iii) if the Junior Discharge Date has occurred, the Relevant Senior Instructing Group, subject to certain exceptions which include the following:

- an amendment which relates to the definition of certain definitions such as "Majority Senior Lenders", "Majority Junior Lenders" or "Instructing Group", which requires all lenders consent;

- an amendment that has the effect of changing or which relates to any provision which expressly requires the consent of any Secured Creditor or group of Secured Creditors (such as the Instructing Group or the Relevant Group) may not be effected without the consent of that Secured Creditor or group of Secured Creditors; and

- an amendment that has the effect of changing or which relates to the rights or obligations of the Obligors (or any of them) may not be effected without the consent of the Obligors.

Project accounts

Each Obligor other than certain specified Obligors is required to maintain proceeds accounts (each, a "**Proceeds Account**") and deposit into them any amounts received by such Obligor in connection with (i) the borrowing base assets or (ii) any disposal of a borrowing base asset or of any subsidiary that holds, whether directly or indirectly, any borrowing base asset.

An Obligor generally may withdraw amounts from any Proceeds Account maintained by it at any time and for any purpose. However, an Obligor cannot make any withdrawal from any Proceeds Account if (i) such account would become overdrawn as a result; (ii) the Senior Enforcement Date or Junior Enforcement Date has occurred; or (iii) any event of default has occurred and is continuing (or if any event of default would result from the withdrawal), unless the Security Trustee has consented to such withdrawal or the withdrawal is expressly permitted under the RBL Lender Intercreditor Agreement.

If any event of default under a Senior Debt Agreement or the Junior Secured Revolving Credit Facility Agreement has occurred and is continuing, an Obligor may withdraw amounts from any Proceeds Account maintained by it at the following times and for the following purposes in order of priority:

- first, at any time, in or towards payment of certain permitted expenditures but, unless the Security Trustee otherwise agrees, only to the extent such permitted expenditures have been provided for in the then current consolidated cashflow and debt service projection in respect of the borrowing base assets;

- second, at any time, in or towards payment *pro rata* of any fees, commissions, costs and expenses, accrued interest or hedging costs due but unpaid under the Senior Debt Agreements, Hedging Agreements and the Non-Facility LC Agreements;

- third, at any time, in or towards payment *pro rata* of (a) certain hedging termination payments due but unpaid to a hedge counterparty under the Hedging Agreements to the extent that such hedging termination payments have fallen due for payment as a result of the termination of such Hedging Agreement by that hedge counterparty, (b) any principal and cash cover in respect of letters of credit due but unpaid under the Senior Debt Agreements and (c) any principal, cash collateral or counter-indemnity obligation in respect of certain secured letters of credit due but unpaid under the Non-Facility LC Agreements;

- fourth, at any time, in or towards payment *pro rata* of any fees, commission, costs and expenses or accrued interest under the Junior Secured Revolving Credit Facility documents;

- fifth, at any time, in or towards payment *pro rata* of any principal due but unpaid under the Junior Secured Revolving Credit Facility documents; and

- sixth, at any time, for certain other defined purposes provided the relevant conditions as set out in the RBL Lender Intercreditor Agreement have been met.

In addition, the RBL Lenders Intercreditor Agreement provides that, subject to limited exceptions, each Obligor shall provide that all money received or receivable by it (or to its order) in respect of certain insurance policies are deposited into insurance accounts maintained by us. However, this requirement does not apply to any money received by an Obligor on behalf of any of its co-venturers or project partners that have an interest in the relevant oil or gas field in respect of which insurance proceeds have been received.

We cannot make any withdrawal from any account in the same circumstances where withdrawals from the Proceeds Account are blocked, as described above. Provided that the foregoing conditions are met, we may withdraw any amount from the insurance accounts maintained by us at the following times and for the following purposes in order of priority:

- first, in or towards meeting an Obligor's share of the liabilities in respect of which the relevant insurance proceeds were paid (including its share of the costs of replacing or reinstating an asset in respect of which the relevant insurance proceeds were paid) as and when such liabilities fall due for payment; and

- second, payment into any Proceeds Account.

In addition, we, Tullow Oil SK Limited and any other borrower under the Senior Secured Revolving Credit Facility Agreement that wishes to request letters of credit must maintain cash collateral accounts and procure that all amounts of cash cover that it is required to provide under the Senior Secured Revolving Credit Facility Agreement (or otherwise elects to provide) in relation to any letter of credit are paid into such cash collateral accounts.

We cannot make any withdrawal from any collateral account in the same circumstances where withdrawals from the Proceeds Account are blocked, as described above. Provided that the foregoing conditions are met, we may withdraw any amount from the collateral accounts maintained by it at the following times and for the following purposes in order of priority:

- first, in or towards the payment to any lender under the Senior Secured Revolving Credit Facility Agreement of amounts due and payable to it under the Senior Secured Revolving Credit Facility Agreement in respect of the relevant letter of credit for which cash cover has been provided; and

- second, if certain conditions are met, payment into any Proceeds Account.

General

The RBL Lender Intercreditor Agreement contains provisions dealing with:

- prohibiting the obtaining by the Secured Creditors of further security, guarantees, indemnities or other assurances against financial loss;

- certain restrictions on amendments to the Senior Debt Agreements and Junior Secured Revolving Credit Facility Agreement;

- ensuring the terms of the Senior Debt Agreements remain constant;

- an option to purchase Senior Bank Liabilities by the lenders under the Junior Secured Revolving Credit Facility Agreement following a Senior Enforcement Event;

- an option to purchase Junior Bank Liabilities by the lenders under the Senior Debt Agreements following a Junior Enforcement Event;

- requirements for the terms of the Hedging Agreements;

- information sharing; and

- customary protections for the Security Trustee and the global administrative banks.

Governing law

The RBL Lender Intercreditor Agreement is governed by English law.

2020 Senior Notes

On November 6, 2013, the Company issued $650 million in aggregate principal amount of 6% Senior Notes (the "**2020 Senior Notes**"). The 2020 Senior Notes mature on November 1, 2020. The 2020 Senior Notes are guaranteed on a senior subordinated basis by the same guarantors of the Notes (the "**2020 Senior Notes Guarantees**").

The Company may redeem all or part of the 2020 Senior Notes at any time on or after November 1, 2016 at a price equal to par plus 50% of the applicable coupon, declining to par plus 25% of the applicable coupon on November 1, 2017 and at par from and after November 1, 2018. At any time prior to November 1, 2016, the Company may redeem all or part of the 2020 Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption plus a "make-whole" premium. At any time prior to November 1, 2016, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the 2020 Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 106.000% of the principal amount of the 2020 Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption; provided that at least 65% of the aggregate principal amount of the 2020 Senior Notes remain outstanding after the redemption. Upon the occurrence of certain specified change of control events, the holders of the 2020 Senior Notes will have the right to require the Company to offer to repurchase the 2020 Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The 2020 Senior Notes Indenture limits, among other things, the ability of the Company and its restricted subsidiaries to:

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

These limitations are, however, subject to a number of important qualifications and exceptions.

The 2020 Senior Notes Indenture also contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

The 2020 Senior Notes, the 2020 Senior Notes Guarantees and the 2020 Senior Notes Indenture are all governed by New York law.

Guarantee Subordination Agreement

The following description is a summary of certain provisions in the Guarantee Subordination Agreement. It does not restate the Guarantee Subordination Agreement in its entirety. As such, you are urged to read the Guarantee Subordination Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

By purchasing a Note, Noteholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Guarantee Subordination Agreement and to have authorized the Trustee to accede to the Guarantee Subordination Agreement on their behalf.

In connection with the issuance of the 2020 Senior Notes, we entered into a subordination agreement (the "**Guarantee Subordination Agreement**") on November 6, 2013. In connection with this issuance of Notes, the Trustee will accede to the Guarantee Subordination Agreement. The Guarantee Subordination Agreement governs the relationships and relative priorities among: (i) the creditors of the RBL Facilities (the "**RBL Creditors**"); (ii) the creditors of the Corporate Facility (the "**Corporate Creditors**"); (iii) certain banks that act as counterparties to hedging agreements (the "**Hedging Banks**"); (iv) certain providers of secured letters of credit under the Non-Facility LC Agreements (the "**LC Providers**" and together with the RBL Creditors, the Corporate Creditors and the Hedging Banks, the "**Senior Creditors**"); and (v) the Trustee for the 2020 Senior Notes and the Trustee for the Notes on its own behalf and on behalf of the Noteholders (the "**Notes Creditors**").

In this description:

- "**Group**" refers to all of our subsidiaries for the time being but, for the avoidance of doubt, not Tullow Oil plc;
- "**Notes Issuer**" refers to us (but the definition in the Guarantee Subordination Agreement will also capture certain of our wholly-owned subsidiaries which may in future issue notes and on-lend the proceeds of such issuance to us);
- each member of the Group (excluding any Notes Issuer) that is a borrower or guarantor under the Debt Documents is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**";
- "**Senior Finance Documents**" refers to (among others) each of the RBL Facilities, the Corporate Facility and each other document defined as a "Finance Document" under the RBL Lender Intercreditor Agreement;
- "**Notes Documents**" refers to each of the Guarantee Subordination Agreement, the Notes, the Note Guarantees and the Indenture; and
- "**Debt Documents**" refers to (among others) each of the RBL Facilities, the Corporate Facility and the Notes Documents.

Ranking and priority

The Guarantee Subordination Agreement will provide that the liabilities owed by the Debtors to the Senior Creditors under the Senior Finance Documents (the "**Senior Liabilities**") and the liabilities owed by the Guarantors to the Notes Creditors under the Notes Documents (the "**Notes Guarantee Liabilities**") will rank in right and priority of payment in the following order:

- first, the Senior Liabilities *pari passu* and without any preference between them; and
- second, the Notes Guarantee Liabilities, *pari passu* and without preference between them.

The parties to the Guarantee Subordination Agreement will agree that the liabilities owed by any Notes Issuer to the Notes Creditors under the Notes Documents, certain amounts owed to the Trustee under the Notes Documents and certain Notes security enforcement and preservation costs (if any) are senior obligations (and are therefore not Notes Guarantee Liabilities) and the Guarantee Subordination Agreement does not purport to rank, postpone and/or subordinate any of them in relation to the other liabilities.

The Guarantee Subordination Agreement will not purport to rank any of the Senior Liabilities as between themselves or any of the Notes Guarantee Liabilities as between themselves. In addition, the Guarantee Subordination Agreement will not purport to rank any of the liabilities of any Notes Issuer.

Permitted payments

Until the Senior Discharge Date (as defined below), the Guarantee Subordination Agreement will only permit Debtors to pay any amounts due to the Notes Creditors with respect to the Notes Guarantee Liabilities if:

- no Stop Notice (as defined below) is outstanding and no Senior Payment Default (as defined below) has occurred and is continuing;
- the requisite consent of the lenders under each of the RBL Facilities and the Corporate Facility has been obtained; or
- the payment is of:
  - costs, commissions, taxes, fees payable to solicitation agents or other administrative service providers in connection with any consent process (provided that no portion of such fees may be payable to, or received by, the Noteholders) and expenses incurred in respect of (or reasonably incidental to) the Notes Documents (or any of them);
  - additional amounts payable as a result of the tax gross-up provisions relating to the Notes Guarantee Liabilities and amounts in respect of currency indemnities in the Notes Documents;
  - any amount not exceeding $2,250,000 (or its equivalent in other currencies) in aggregate in any twelve-month period; or
  - the principal amount of the liabilities in respect of the Notes on or after the final maturity date thereof (*provided that* such maturity date is as contained in the relevant Note Document in its original form).

The "**Senior Discharge Date**" means the date on which all Senior Liabilities have been fully and wholly discharged to the satisfaction of the relevant Representative (as defined below) and the Senior Creditors are under no further obligations to provide financial accommodation to any Debtor under any Senior Finance Document.

A "**Senior Payment Default**" refers to a default arising by reason of a failure by the Company or certain of its subsidiaries to pay on the due date any amount payable by them in connection with any of the Senior Finance Documents other than an amount not exceeding $1,000,000 (or its equivalent in any currency).

The agent representatives (each a "**Representative**") of the lenders under each of the RBL Facilities and the Corporate Facility (each in accordance with its underlying documents) may serve a notice (a "**Stop Notice**") specifying that an event of default (other than a Senior Payment Default) under any of the RBL Facilities and the Corporate Facility (as applicable) is outstanding and suspend the payment of any Notes Guarantee Liabilities until the earliest of: (i) the date on which such relevant event of default is waived, remedied or cured in accordance with the relevant document, is no longer continuing or otherwise ceases to exist; (ii) the date falling 179 days after the date of receipt by the Trustee of the Stop Notice; (iii) the date on which the liabilities owed to the relevant Senior Creditors under the RBL Facilities or the Corporate Facility under which such event of default occurred have been fully and finally discharged and the relevant Senior Creditors are under no further obligation to provide financial accommodation to any Debtor under any Senior Finance Document; (iv) the date on which the Representative that served the Stop Notice cancels such Stop Notice; (v) if a Standstill Period (as defined below) is already in effect, the date on which the aforementioned Standstill Period expires; and (vi) the date on which the Trustee takes any enforcement action that is permitted under the Guarantee Subordination Agreement. Each Stop Notice is to be issued within 60 days of receipt of notice of such default, only one notice may be served within any 360 day period, not more than one such notice may be served in respect of the same event or set of circumstances and no such notice may be served in respect of an event of default which has been notified to the relevant Representative at the time at which an earlier Stop Notice was issued. Notwithstanding the foregoing, a Notes Issuer will not be prevented from making a payment from its own assets if such payment is in respect of any of its obligations under the Notes in respect of which such Stop Notice has been delivered and such payment is not financed by a payment to such Notes Issuer by a member of the Group which is prohibited as described in this paragraph.

Restrictions on enforcement

While any Senior Liabilities are outstanding, the Guarantee Subordination Agreement will only permit Notes Creditors to take enforcement action against a Debtor in respect of any Notes Guarantee Liabilities: (i) if a Standstill Period (as defined below) in respect of an event of default under the Notes Documents (other than one arising solely by reason of a cross default (other than a payment cross default) to any Senior Finance Document) (a "**Notes Default**") has elapsed and such event of default is outstanding at the end of that Standstill Period; (ii) in circumstances where the Senior Creditors take enforcement action in relation to a Debtor (provided that Notes Creditor action is limited to taking the same action against a guarantor in respect of the Notes Guarantee Liabilities (a "Notes Guarantor") as that taken by the Senior Creditors); and (iii) if certain insolvency, liquidation or other similar enforcement events with respect to a Notes Guarantor have occurred and such actions are taken with respect to such Notes Guarantor (subject to certain limited exceptions).

In this section, a "**Standstill Period**" refers to the period beginning on the date (the "**Start Date**") the Representatives receive a notice from the Trustee notifying them of a Notes Default and ending on the earlier of (i) the date falling 179 days after the Start Date; (ii) the date on which the Senior Creditors take enforcement action in relation to a Notes Guarantor; (iii) the date of certain insolvency, liquidation or other similar enforcement events occurring in relation to a Notes Guarantor against whom such actions have been taken (subject to certain limited exceptions); (iv) the expiry of another Standstill Period outstanding at the date such first mentioned Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); (v) the date on which a Notes Default occurs for failure to pay principal at the original scheduled maturity of the Notes; and (vi) the date on which the relevant Representatives consent to the relevant Notes Creditors taking enforcement action in respect of that Notes Default. In the circumstances described in item (ii) above, the Standstill Period is only brought to an end to allow the Notes Creditors to take the same enforcement action against a Notes Guarantor as that taken by the Senior Creditors.

Turnover

Turnover by the Notes Creditors

The Guarantee Subordination Agreement will also provide that if at any time prior to the Senior Discharge Date, a Notes Creditor (subject to certain exceptions for the Trustee) receives or recovers a payment or distributes of, on account of or in relation to any Notes Guarantees Liabilities which is not a permitted under the Guarantee Subordination Agreement, it will:

- in relation to receipts and recoveries from a guarantor of the RBL Facilities and the Corporate Facility (or from any person that is a Notes Guarantor and has granted security for the RBL Facilities and the Corporate Facility): (i) hold the received or recovered amount on trust for the relevant Representatives; (ii) promptly notify the relevant Representatives of such receipt or recovery and request that each Representative confirm the amount of Senior Liabilities outstanding under the relevant documents; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the relevant RBL Facilities and/or the Corporate-Lending Facility (as applicable);

- in relation to receipts and recoveries from a guarantor of only the RBL Facilities (or from any person that is a Notes Guarantor and has granted security only for the RBL Facilities): (i) hold the received or recovered amount on trust for the relevant Representative; (ii) promptly notify the relevant Representative of such receipt or recovery and request that such Representative confirm the amount of Senior Liabilities outstanding under the relevant document; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the RBL Facilities; and

- in relation to receipts and recoveries from a guarantor of only the Corporate Facility (or from any person that is a Notes Guarantor and has granted security only for the Corporate Facility): (i) hold the received or recovered amount on trust for the relevant Representative; (ii) promptly notify the relevant Representative of such receipt or recovery and request that each Representative confirm the amount of Senior Liabilities outstanding under the relevant document; and (iii) pay or distribute such amounts to the relevant Representatives on a *pari passu* basis for application in accordance with the terms of the Corporate Lending Facility.

- Pending payment, the relevant Notes Creditor shall hold the relevant amount(s) on trust for the relevant Representative.

Turnover by the Representatives

The Guarantee Subordination Agreement shall provide that if any Representative collects, receives or recovers any amounts following the exercise any of its rights described under the caption "—Filing of claims" below and, after the Senior Discharge Date, that Representative continues to hold any such amounts so collected, received or recovered, that Representative shall promptly pay all such amounts to the Trustee for application in accordance with the terms of the Notes Documents.

Filing of claims

After the occurrence of certain insolvency, liquidation or other similar enforcement events in respect of a Notes Guarantor, each Representative will be authorized under the Guarantee Subordination Agreement to: (i) demand, sue, prove and give receipt for any or all of that Debtor's Notes Guarantee Liabilities; (ii) collect and receive all distributions on, or on account of, any or all of that Notes Guarantor's Notes Guarantee Liabilities; and (iii) file claims, take proceedings and do all other things the relevant Representative considers reasonably necessary to recover that Notes Guarantor's Notes Guarantee Liabilities.

Option to purchase

The Guarantee Subordination Agreement will provide that the Trustee may, at the direction of one or more the Notes Creditors (each a "**Purchasing Notes Creditor**") and by giving at least 10 business days' notice to the relevant Representatives, at any time when a Stop Notice is outstanding and any enforcement action has been taken by or on behalf of a Senior Creditor, require the transfer to them of all, but not part, of the rights and obligations in respect of the Senior Liabilities if (subject to limited exceptions): (i) the transfer is lawful; (ii) any conditions relating to such a transfer contained in the relevant documents are complied with; (iii) payment in full in cash of an amount equal to the Senior Liabilities outstanding and certain other costs and expenses relating to the transfer; (iv) as a result of that transfer the Senior Creditors have no further actual or contingent liability to any Debtor under the relevant Debt Documents; (v) an indemnity is provided from each Purchasing Notes Creditor (other than the Trustee or from an acceptable third- party) in a satisfactory form in respect of all losses which may be sustained or incurred by any Senior Creditor in consequence of any sum received or recovered by any Senior Creditor from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Creditor for any reason; and (vi) the transfer is made without recourse to, or representation or warranty from, the Senior Creditors.

Release of guarantees in respect of the Notes

The Guarantee Subordination Agreement will provide that if a disposal of shares or assets of any member of the Group is effected pursuant to any enforcement action taken pursuant to the Senior Finance Documents, any guarantees in respect of the Notes from any of our subsidiaries whose shares or the shares of its direct or indirect holding company are sold will be released and any security in respect of the shares and assets of any such subsidiary will be released if: (i) the proceeds of such sale or disposal are in cash (or substantially in cash); (ii) all present and future obligations owed to the creditors under the Senior Finance Documents by a member of the Group are unconditionally released and discharged or sold or disposed of concurrently with such sale; and (iii) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a public auction or where an independent investment bank or an internationally recognized firm of accountants has delivered an opinion to the Trustee in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances.

General

The Guarantee Subordination Agreement will contain provisions dealing with:

- incurrence of future debt that will allow certain agents with respect to the creditors of that debt to accede to the Guarantee Subordination Agreement and benefit from, and be subject to, the provisions described above (including, for the avoidance of doubt, as creditors in respect of Senior Liabilities; and

- customary protections for the Trustee.

Governing law

The Guarantee Subordination Agreement is governed by and construed in accordance with English law.

Hedging arrangements

We maintain certain commodity hedges to manage our exposure to movements in oil and gas prices. In addition, we hold a small portfolio of interest rate derivatives. In connection with these activities, we have entered into International Swaps and Derivatives Association master agreements with several hedging partners. Certain of the Initial Purchasers have entered and may from time to time enter into hedging arrangements with us and our affiliates. For a further discussion of our current hedging arrangements, see "Management's discussion and analysis of financial condition and results of operation—Significant factors affecting results of operations—Derivative financial instruments."

Description of Notes

Tullow Oil plc (the "Company") issued the Notes under an indenture (the "Indenture"), dated April 8, 2014, among, *inter alios,* the Company, the Guarantors, Deutsche Trustee Company Limited, as trustee (the "Trustee"), Deutsche Bank Trust Company Americas, as Principal Paying Agent, Transfer Agent and Registrar and Deutsche Bank AG, London Branch as London Paying Agent in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The terms of the Notes include those set forth in the Indenture. With limited exceptions, the Indenture will not incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Guarantee Subordination Agreement and certain other agreements relating to the Notes. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes and the Guarantee Subordination Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note and the Guarantee Subordination Agreement are available as set forth below under "—Additional information."

You can find the definitions of certain terms used in this "Description of Notes" under the subheading "—Certain definitions." Certain defined terms used in this "Description of Notes" but not defined below under "—Certain definitions" or elsewhere in this description have the meanings assigned to them in the Indenture. For purposes of this "Description of Notes," the term "Company" refers only to Tullow Oil plc and not to any of its subsidiaries, and unless the context requires otherwise, references in this "Description of Notes" to the Notes include the Notes and any additional Notes that are issued.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief description of the Notes and the Note Guarantees

The Notes

The Notes will be:

- general obligations of the Company;
- *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including under the RBL Facilities, the Corporate Facility and the 2020 Senior Notes Indenture;
- senior in right of payment to all future obligations of the Company that are subordinated in right of payment to the Notes;
- effectively subordinated to all existing and future secured obligations of the Company, including obligations under the RBL Facilities and the Corporate Facility, to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Notes on an equal and ratable or senior basis;
- structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any trade payables and letters of credit issued by such Subsidiaries and any borrowings of Tullow Oil Norge AS (formerly Spring Energy Norway AS) and Tullow Oil (Bream) Norge AS (formerly Spring Energy Exploration AS) under the Norwegian Facility; and
- guaranteed on a senior subordinated basis by the Guarantors, subject to limitations under applicable law as set forth below under the caption "—Note Guarantees."

The Note Guarantees

The Notes will be guaranteed by the Guarantors. Each Note Guarantee will be:

- a senior subordinated obligation of that Guarantor;
- subordinated in right of payment to all existing and future senior obligations of that Guarantor, including, where applicable, such Guarantor's obligations under the RBL Facilities and the Corporate Facility;

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

Not all of the Company's Subsidiaries will guarantee the Notes on the Issue Date and the Company will not have any obligation to cause any of its Subsidiaries to guarantee the Notes in the future (except as required under the circumstances described below under the caption "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries"). In the event of a bankruptcy, liquidation or reorganization of any Subsidiary that is not a Guarantor, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company or a Guarantor. On a *pro forma* basis after giving effect to the Refinancing, as of and for the year ended December 31, 2013, the Company's Subsidiaries that are not the Guarantors collectively represented 9% of the Company's consolidated sales revenue, 0% of the Company's consolidated EBITDAX and 12% of the Company's consolidated property, plant and equipment fixed assets. As of December 31, 2013, such non-Guarantors were obligors on $159.4 million, or 7.0%, of the Company's consolidated third- party debt. See "Risk factors—Risks relating to the Notes and our structure—The Notes and Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries."

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of restricted and unrestricted subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, maturity and interest

The Company issued $650.0 million in aggregate principal amount of Notes in this offering. The Company may issue additional Notes (the "Additional Notes") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock." The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company issued Notes in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will mature on April 15, 2022.

Interest on the Notes will accrue at the rate of 6.250% per annum and will be payable semi-annually in arrears on April 15 and October 15, commencing on October 15, 2014. Interest on overdue principal and interest, if any, will accrue at a rate that is 1.0% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding April 1 and October 1.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. For redemption price at maturity, please see "—Optional redemption."

Transfer and exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Note"). Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Reg S Global Note" and, together with the 144A Global Note, the "Global Notes").

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with DTC or persons that may hold interests through such participants, including through Euroclear and Clearstream. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to investors." In addition, transfers of Book-Entry Interests between participants in DTC, participants in Euroclear or participants in Clearstream will be effected by DTC, Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note, or the "144A Book-Entry Interests," may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Reg S Global Note, or the "Reg S Book-Entry Interests," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. During the 40-Day Period (as defined in "Book-entry, delivery and form"), Reg S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive Notes in registered form ("Definitive Registered Notes") are issued, they will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant which owns the relevant Book-Entry Interest. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to investors."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in denominations of $200,000 in principal amount or integral multiples of $1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder, among other things, to furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder of the Notes, other than any transfer taxes or similar governmental charges payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 calendar days prior to the record date with respect to any interest payment date; or

(4) which the holder of the Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Paying agent and registrar for the Notes

The Company will maintain one or more paying agents (each, a "Paying Agent") for the Notes in the Borough of Manhattan, City of New York (the "Principal Paying Agent") and London. The Company will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be Deutsche Bank Trust Company Americas in New York and Deutsche Bank AG, London Branch in London.

The Company will also maintain both a registrar (the "Registrar") and a transfer agent (the "Transfer Agent") in the Borough of Manhattan, City of New York. The initial Registrar will be Deutsche Bank Trust Company Americas, and the initial Transfer Agent will be Deutsche Bank Trust Company Americas. The Registrar will maintain a register reflecting record ownership of the Global Notes and any Definitive Registered Notes outstanding from time to time, and the Transfer Agent will facilitate transfers of any Definitive Registered Notes on behalf of the Company.

The Company may change any Paying Agent, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange.

Note Guarantees

The Notes will be guaranteed by the Guarantors, which comprise all of the Company's current Subsidiaries that are (i) borrowers or guarantors under the RBL Facilities, (ii) borrowers or guarantors under the Corporate Facility, other than Tullow Kenya B.V. and (iii) guarantors of the 2020 Senior Notes. The Note Guarantees will be joint and several obligations of the Guarantors. The obligations under the Note Guarantees will be subordinated in right of payment to the Guarantors' obligations under the RBL Facilities and the Corporate Facility, where applicable, and may be subordinated in right of payment to the Guarantors' future senior obligations, and will be *pari passu* in right of payment with obligations under the Guarantees of the 2020 Senior Notes. The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such limitations, see "Risk factors—Risks relating to the Notes and our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."

Note Guarantees release

The Note Guarantee of a Guarantor will be automatically and unconditionally released and discharged without any further action by the Company, the relevant Guarantor or the Trustee, and such Guarantor's obligations under the Note Guarantee, the Indenture, the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreement will terminate and be of no further force and effect:

(1) in connection with any sale or other disposition of all or substantially all of the properties or assets of that Guarantor (including by way of merger, amalgamation or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "—Repurchase at the option of holders—Asset sales";

(2) in connection with any sale or other disposition of the Capital Stock of that Guarantor (whether by direct sale or through a holding company) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "—Repurchase at the option of holders—Asset sales" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Company;

(3) if the Company designates such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) upon repayment in full of the Notes or upon Legal Defeasance or Covenant Defeasance as described below under the caption "—Legal defeasance and covenant defeasance" or upon satisfaction and discharge of the Indenture as described under the caption "—Satisfaction and discharge";

(5) upon the liquidation or dissolution of such Guarantor; *provided* that no Default or Event of Default has occurred or is continuing;

(6) as described under "—Amendment, supplement and waiver";

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

(8) as described in the fourth paragraph of the covenant described below under "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries"; or

(9) in connection with certain enforcement actions taken by the creditors under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

Subordination of the Note Guarantees

On the Issue Date, the Trustee shall accede to the Guarantee Subordination Agreement entered into on November 6, 2013 by the Company, the trustee under the 2020 Senior Notes Indenture and the agents and security trustee under the RBL Facilities and the Corporate Facility, as described under "Description of certain financing arrangements—Guarantee Subordination Agreement." The Note Guarantees will be subordinate in right of payment to outstanding obligations under the Senior Debt of the Guarantors. In addition, the payment on each Note Guarantee will be subject to provisions in the Guarantee Subordination Agreement relating to payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections. See "Description of certain financing arrangements—Guarantee subordination agreement."

Additional amounts

All payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction for, or on account of, such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company or any Guarantor is then incorporated, organized or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "Tax Jurisdiction") will at any time be required to be made from any payments made by the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however,* that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the mere holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30- day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another Paying Agent;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes, to the extent such Taxes are imposed, withheld or deducted by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Company, addressed to the holder and made at least 60 days before any such withholding or deduction is to be made, to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to satisfy such requirement;

(8) any U.S. federal withholding Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code;

(9) any Tax that is imposed on or with respect to any payment made to any holder who is a fiduciary or partnership or an entity that is not the sole beneficial owner of such payment, to the extent that a beneficiary or settlor (for tax purposes) with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of the applicable Note; or

(10) any combination of items (1) through (9) above.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the Trustee, Paying Agents and holders for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto), which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture or any Note Guarantee or any other document referred to therein, except for any such taxes imposed or levied as a result of a transfer after the Issue Date.

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee and Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Company or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable any Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Trustee and Paying Agents shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary.

The Company or the relevant Guarantor will make all withholdings and deductions for, or on account of, Taxes required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture or any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company or any Guarantor is incorporated, organized or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) or any political subdivision thereof or therein.

Optional redemption

Except as otherwise described below, the Notes will not be redeemable at the Company's option prior to maturity. The Company and any Restricted Subsidiary may, however, acquire, or cause to be acquired, the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not violate the terms of the Indenture.

Prior to April 15, 2017, the Company may, at its option, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes issued after the Issue Date) at a redemption price equal to 106.250% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, subject to the right of the holders on the relevant record date to receive interest due on the relevant interest payment date, with all or a portion of the net proceeds of one or more Equity Offerings; *provided* that at least 65% of the aggregate principal amount of the Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption; and *provided, further,* that such redemption shall occur within 180 days of the date of the closing of any such Equity Offering.

In addition, at any time prior to April 15, 2017, the Company may also redeem, in whole or in part, the Notes at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus the Applicable Premium in respect of, and accrued and unpaid interest to the redemption date, subject to the rights of the holders on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "—Redemption for changes in taxes," the Notes will not be redeemable at the Company's option prior to April 15, 2017.

On or after April 15, 2017, the Company may on any one or more occasions redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on April 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	**Redemption price**
2017	104.688%
2018	103.125%
2019	101.563%
2020 and thereafter	100.000%

The Notes will be redeemed at 100.000% upon maturity.

All redemptions of the Notes will be made upon not less than 10 days' nor more than 60 days' prior notice, except that a redemption notice may be made more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Notice of any redemption including, without limitation, upon an Equity Offering may, at the Company's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Redemption for changes in taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on an interest payment date that is on or prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company or a Guarantor is or would be required to pay Additional Amounts, and the Company or Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official position, or the introduction of an official position, regarding the interpretation, administration or application of such laws, regulations, treaties or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment, change or introduction becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes or

Note Guarantees was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel of recognized standing reasonably acceptable to the Trustee, to the effect that there has been such amendment or change or introduction which would entitle the Company to redeem the Notes under this provision of the Indenture. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Company or Guarantor taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officers' Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive will not be a change or amendment for such purposes.

Mandatory redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase the Notes as described under the captions "—Repurchase at the option of holders—Change of control" and "—Asset sales."

Repurchase at the option of holders

Change of control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of that holder's Notes pursuant to an offer (the "Change of Control Offer") on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of purchase (the "Change of Control Payment Date"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Company will mail a notice to each holder (with a copy to the Trustee) or otherwise deliver a notice (with a copy to the Trustee) in accordance with the procedures described under "—Selection and notice," describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Principal Paying Agent the Notes properly accepted.

The Principal Paying Agent will promptly mail or cause to be delivered to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of $200,000 or an integral multiple of $1,000 in excess thereof. Any Note so accepted for payment will cease to accrue interest on and after the Change of Control Payment Date unless the Company defaults in making the Change of Control Payment. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described herein that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—Optional redemption," unless and until there is a default in payment of the applicable redemption price.

The occurrence of certain events that would constitute a Change of Control could constitute a default under the RBL Facilities and Corporate Facility and would require that the Company make an offer to repurchase the 2020 Senior Notes if then outstanding. Future debt of the Company or its Subsidiaries may also contain descriptions of certain change of control events that, if they occurred, would constitute a default under such debt or require such debt to be repurchased. In addition, the exercise by the holders of the Notes of their right to require the Company to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. If a Change of Control Offer is made, there can be no assurance that the Company will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by holders thereof seeking to accept the Change of Control Offer and to repurchase any other debt that may be required to be repaid following a change of control. See "Risk factors—Risks relating to the Notes and our structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control."

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Restricted Subsidiaries may be uncertain.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in aggregate principal amount of the Notes.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Company will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

Asset sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

> (a) any liabilities, as shown on the most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to an agreement that releases the Company or such Restricted Subsidiary from further liability or indemnifies the Company or such Restricted Subsidiary against further liabilities;
>
> (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or

Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or other assets of the kind referred to in clauses (3) or (4) of the next paragraph of this covenant;

(d) Indebtedness (other than Subordinated Obligations) of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary;

(f) accounts receivable of a business retained by the Company or any Restricted Subsidiary, as the case may be, following the sale of such business; and

(g) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (g) that is at that time outstanding, not to exceed the greater of (x) $500.0 million and (y) 5.0% of Consolidated Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non- Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or one of its Restricted Subsidiaries may apply such Net Proceeds (at the option of the Company or such Restricted Subsidiary):

(1) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (a "Notes Offer");

(2) to repay Senior Debt;

(3) to invest in Additional Assets;

(4) to make a capital expenditure; or

(5) to enter into a binding commitment to apply the Net Proceeds pursuant to clause (2), (3) or (4) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such repayment, investment or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365- day period.

Pending the final application of any Net Proceeds, the Company or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested pursuant to the second paragraph of this covenant will constitute "Excess Proceeds."

When the aggregate amount of Excess Proceeds exceeds $50.0 million, within ten Business Days thereof, the Company will make an offer (an "Asset Sale Offer") to all holders of Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company or any of its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee, a Paying Agent or the Registrar will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "Book-entry, delivery and form," based on a method that most nearly approximates a *pro rata* selection as the Trustee, a Paying Agent or the Registrar deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control, Asset Sale or Notes Offer provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control, Asset Sale or Notes Offer provisions of the Indenture by virtue of such compliance.

Selection and notice

If less than all of the Notes are to be redeemed at any time, the Trustee, a Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "Book-Entry, Delivery and Form," based on a method that most nearly approximates a *pro rata* selection) unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of $200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. A notice of redemption shall state whether the redemption is conditioned on any events and, if so, a detailed explanation of such conditions. Subject to the satisfaction of any conditions precedent set forth in a notice of redemption, Notes called for redemption become due on the date fixed for redemption. On or after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Neither the Trustee, any Paying Agent nor the Registrar shall be liable for any such selections made by it in accordance with the provisions described in the three preceding paragraphs.

For Notes which are represented by global certificates held on behalf of DTC, notices may be given by delivery of the relevant notices to DTC in accordance with its applicable procedures for communication to entitled account holders in substitution for any required mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any notice to the holders of the Notes (whether represented by global certificates or held in definitive form) shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Company will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Certain covenants

Restricted payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger, amalgamation or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

(2) repurchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger, amalgamation or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(3) make any principal payment on or with respect to, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to the Stated Maturity thereof, any Indebtedness of the Company or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and/or any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the repurchase, redemption or other acquisition of Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such repurchase, redemption or other acquisition; or

(4) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable two half-year reference period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Incurrence of indebtedness and issuance of preferred stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since November 6, 2013 (including Restricted Payments permitted below by

clauses (1), (13) and (14) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is equal to or less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from July 1, 2013 to the end of the Company's most recently ended fiscal half-year for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds received, the Fair Market Value of marketable securities received and the Fair Market Value of other property received by the Company since November 6, 2013 as a contribution to its common capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); *plus*

(c)

(i) to the extent that any Restricted Investment that was made after November 6, 2013 is (x) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the marketable securities and other property received by the Company or any Restricted Subsidiary, or (y) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(ii) to the extent that any Unrestricted Subsidiary of the Company designated as such after November 6, 2013 is redesignated as a Restricted Subsidiary or is merged, amalgamated or consolidated with or into the Company or a Restricted Subsidiary, or all or substantially all of the properties or assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the Company or Restricted Subsidiary or the Company's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, amalgamation, consolidation or transfer of properties or assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(d) 100% of any dividends or distributions received in cash by the Company or a Restricted Subsidiary after November 6, 2013 from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) on no more than a *pro rata* basis;

(5) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or

former officers, directors, employees or consultants pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $20.0 million in 2013 or any subsequent calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Company or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any of its Restricted Subsidiaries or any of its direct or indirect parent companies, to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (3)(b) of the preceding paragraph or clause (2) of this paragraph and (B) the cash proceeds of key man life insurance policies;

(6) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or former directors or employees in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy the Company's or such Restricted Subsidiary's tax withholding obligation with respect to such exercise or vesting;

(7) repurchases of Subordinated Obligations at a purchase price not greater than (i) 101% of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of a Change of Control or (ii) 100% of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of an Asset Sale, in each case plus accrued interest, in connection with any change of control offer or asset sale offer required by the terms of such Indebtedness, but only if:

(a) in the case of a Change of Control, the Company has first complied with and fully satisfied its obligations under the provisions described under "—Repurchase at the option of holders—Change of control"; or

(b) in the case of an Asset Sale, the Company has complied with and fully satisfied its obligations in accordance with the covenant under the heading, "—Repurchase at the option of holders—Asset sales";

(8) the repurchase, redemption or other acquisition for value of Capital Stock of the Company representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Company or any other transaction permitted by the Indenture;

(9) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

(10) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption "—Incurrence of indebtedness and issuance of preferred stock";

(11) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(12) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, (a) advances or loans to any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; *provided* that the total aggregate amount of Restricted Payments made under this subclause (a) does not exceed $1.0 million in any calendar year or (b) advances, grants or loans in relation to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust, whether made directly to any such plan or trust or to the trustees of any such plan or trust, to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this subclause (b) does not exceed $50.0 million in any calendar year;

(13) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase of Equity Interests of the Company to be held as treasury stock; *provided* that the total aggregate amount

of Restricted Payments made under this clause (13) does not exceed $250.0 million plus the cash proceeds from the sale of such Equity Interests of the Company from treasury stock since November 6, 2013;

(14) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of dividends on the Capital Stock of the Company of an amount per annum not to exceed 18 pence per share;

(15) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed $500.0 million since the Issue Date; and

(16) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments aggregating up to an amount equivalent to 50% of the net cash proceeds received by the Company or any of its Restricted Subsidiaries from all dispositions (including, without limitation, any farm-out or lease) of oil and gas properties subsequent to November 6, 2013; *provided* that, after giving *pro forma* effect to any such Restricted Payment (and any related transactions), the Consolidated Leverage Ratio of the Company does not exceed 2.0 to 1.0.

The 2020 Senior Notes Indenture contains a provision identical to clause (15) of this "—Restricted payments" covenant. As of the date of this Offering Memorandum, we have not used such clause in the 2020 Senior Notes Indenture to make any Restricted Payments (as defined in the 2020 Senior Notes Indenture).

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount. The Company, in its sole discretion, may classify any Investment or other Restricted Payment as being made in part under one of the provisions of this covenant (or, in the case of any Investment, the clauses of Permitted Investments) and in part under one or more other such provisions (or, as applicable, clauses). Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

Incurrence of indebtedness and issuance of preferred stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however,* that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and any Restricted Subsidiary of the Company may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended two full fiscal half-years for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been at least 2.25 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such two half-year reference period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or preferred stock (collectively, "Permitted Debt"):

(1) the incurrence by the Company and any Restricted Subsidiary of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greatest of (x) $4.5 billion, (y) an amount equal to the sum of $650.0 million plus any amounts permitted to be drawn at such time under all Borrowing Base Facilities of the Company and its Restricted Subsidiaries and (z) an amount equal to the sum of $1.1 billion *plus* 30% of Consolidated Total Assets determined as of the date of such incurrence, plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, costs and expenses (including underwriting commissions paid as discounts) incurred in connection with such refinancing;

(2) the incurrence by the Company of the 2020 Senior Notes and any Guarantee thereof by a Guarantor;

(3) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence by the Company of Indebtedness represented by the Notes to be issued on the date of the Indenture and the incurrence by any Guarantor of a Note Guarantee at any time;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness:

(a) incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of any FPSO used or useful in the Oil and Gas Business; or

(b) represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness, in each case, incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of property, plant or equipment or other assets used in the business of the Company or any of its Restricted Subsidiaries (including any reasonably related fees or expenses incurred in connection therewith), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause (5)(b), not to exceed the greater of (x) $225.0 million and (y) 2.25% of Consolidated Total Assets at any time outstanding,

in each case, whether such Indebtedness is incurred for the charter of, leasing of or direct purchase of or the purchase of the Capital Stock of any Person owning such property, plant or equipment or other assets (including any Indebtedness deemed to be incurred in connection with such purchase) (it being understood that any such Indebtedness may be incurred after the acquisition or purchase or the design, development, construction, transportation, installation, migration or the making of any improvement with respect to any such property, plant or equipment or other assets);

(6) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5) or (15) of this paragraph or this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries and (ii) only to the extent legally permitted) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however,* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (8);

(9) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible accounting or financial officer of the Company);

(10) the Guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, as applicable, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed;

(11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of self-insurance obligations or captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business;

(13) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for indemnification, obligations in respect of earnouts or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of (A) letters of credit, bid, performance, appeal, surety and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or similar instruments issued for the account of the Company and any of its Restricted Subsidiaries in the ordinary course of business (in each case, other than an obligation for money borrowed), including Guarantees and obligations of the Company or any of its Restricted Subsidiaries with respect to letters of credit or similar instruments supporting such obligations or in respect of self-insurance and workers compensation obligations or (B) any customary cash management, cash pooling or netting or setting off arrangements with banks or other financial institutions;

(15) Indebtedness or preferred stock of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Company or a Restricted Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or a Restricted Subsidiary in accordance with the Indenture (other than Indebtedness incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or was merged into the Company or a Restricted Subsidiary or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however,* with respect to this clause (15) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (x) the Company would have been able to incur $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness or issuance of such preferred stock pursuant to this clause (15) or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(16) Guarantees by the Company or any of its Restricted Subsidiaries of any Management Advances;

(17) Guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Company, so long as the proceeds of the Indebtedness so Guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause (3)(b) of the first paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional redemption" provisions of the Indenture;

(18) Guarantees by the Company or any of its Restricted Subsidiaries of pension fund obligations of the Company or any Restricted Subsidiary required by law or regulation;

(19) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in connection with one or more standby letters of credit, Guarantees, performance bonds or other reimbursement obligations, in each case, issued in the ordinary course of business and not in connection with the borrowing of money or the obtaining of an advance or credit (other than advances or credit for goods and services in the ordinary course of business and on terms and conditions that are customary in the Oil and Gas Business, and other than the extension of credit represented by such letter of credit, Guarantee or performance bond itself);

(20) the incurrence by the Company or any Restricted Subsidiary of Indebtedness through the provision of bonds, Guarantees, letters of credit or similar instruments required by any national or international maritime commission or authority or other governmental or regulatory agencies, including, without limitation, customs authorities; in each

case, for vessels owned or chartered by, and in the ordinary course of business of, the Company or any of its Restricted Subsidiaries at any time outstanding not to exceed the amount required by such governmental or regulatory authority;

(21) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business; and

(22) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance of Disqualified Stock by the Company or preferred stock by any Restricted Subsidiary in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause (22), not to exceed the greater of (x) $325.0 million and (y) 3.25% of Consolidated Total Assets determined as of the date of such incurrence or issuance.

For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:

(1) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (22) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

(2) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

(3) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) in respect of Hedging Obligations, either (a) zero if such Hedging Obligation is incurred pursuant to clause (9) of the second paragraph of this covenant or (b) the notional amount of such Hedging Obligation if not incurred pursuant to such clause;

(3) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(4) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(i) the Fair Market Value of such assets at the date of determination; and

(ii) the amount of the Indebtedness of the other Person.

Accrual of interest, accrual of dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this "—Incurrence of indebtedness and issuance of preferred stock" covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided, however*, that (i) if such Indebtedness denominated in non-U.S. dollar currency is subject to a Currency Exchange Protection Agreement with respect to U.S. dollars, the amount of such Indebtedness expressed in U.S. dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. dollar-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. dollar-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such U.S. dollar-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. dollar-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except Permitted Liens, unless the Notes or Note Guarantees, as applicable, are secured by a Lien on such property or assets on an equal and ratable basis with the Indebtedness so secured until such time as such Indebtedness is no longer so secured by that Lien.

Dividend and other payment restrictions affecting subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) (i) agreements governing Existing Indebtedness and Credit Facilities and (ii) the 2020 Senior Notes Indenture, the 2020 Senior Notes and Guarantees thereof, in each case as in effect on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(2) the Indenture, the Notes (including Additional Notes) and the Note Guarantees;

(3) applicable law, rule, regulation or order or the terms of any license, authorization, approval, concession or permit or similar restriction;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non-assignment and similar provisions in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;

(6) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of assets, including without limitation an agreement for the sale or other disposition of the Capital Stock or assets of a Restricted Subsidiary, that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(9) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(11) agreements governing other Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be incurred in accordance with the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that any such encumbrance or restriction contained in such Indebtedness are not materially more restrictive taken as a whole than customary in comparable financings in such jurisdictions as such Indebtedness is being incurred or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

(12) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements, joint venture agreements and similar documents and agreements;

(13) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(14) encumbrances or restrictions contained in Hedging Obligations permitted from time to time under the Indenture;

(15) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under contracts entered into in the ordinary course of business; and

(16) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (15), or in this clause (16); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive taken as a whole with respect to such dividend and other payment restrictions than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company).

Merger, consolidation or sale of assets

The Company

The Company will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Company is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Norway, Canada, Australia, Japan, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably acceptable to the Trustee;

(3) immediately after such transaction or transactions, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two half-year reference period (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of indebtedness and issuance of preferred stock" or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction;

(5) each Guarantor (unless it is the other party to the transactions above, in which case clause (2) shall apply) shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes and shall continue to be in effect; and

(6) the Company shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, amalgamation, merger or disposition and such supplemental indenture (if any) comply with this covenant; *provided* that in giving an opinion of counsel, counsel may rely on an Officers' Certificate as to any matters of fact.

The surviving entity will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all of its properties or assets, the Company will not be released from the obligation to pay the principal of and interest and premium, if any, on the Notes.

The Guarantors

A Guarantor (other than any Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "—Note Guarantees release") may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) such Guarantor is the surviving entity;

(b) the Person acquiring the property in any such sale or other disposition or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company or another Guarantor) unconditionally assumes, pursuant to a supplemental indenture substantially in the form specified in the Indenture, all the obligations of such Guarantor under such Indenture, its Note Guarantee, the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreement on the terms set forth therein; or

(c) the Net Proceeds of such sale or other disposition are applied in accordance with the provisions of the Indenture described under the caption "—Repurchase at the option of holders—Asset sales."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger, consolidation or amalgamation of the Company or any Restricted Subsidiary with or into an Affiliate solely for the purpose of reincorporating the Company or such Restricted Subsidiary in another jurisdiction. Nothing in the Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to the Company, (ii) the Company merging with or into a Restricted Subsidiary for the purpose of reincorporating the Company in another jurisdiction, and (iii) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to another Restricted Subsidiary.

Transactions with affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "Affiliate Transaction") involving aggregate payments or consideration in excess of $20.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person (as determined in good faith by a responsible accounting or financial officer of the Company); and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50.0 million, the Company delivers to the Trustee a resolution of the Board of Directors of the Company set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions between or among the Company and/or its Restricted Subsidiaries;

(2) Restricted Payments not prohibited by the provisions of the Indenture described above under the caption "—Restricted payments" and Permitted Investments;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) any customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consultant agreements, employment agreements, collective bargaining agreements, severance agreements, any other compensation or employee benefit plans or arrangements (including stock option, stock appreciation, stock incentive or stock ownership or similar plans) or legal fees (as determined in good faith by a majority of the disinterested members of the Board of Directors of the Company or, so long as the Company remains listed on the London Stock Exchange, otherwise in compliance with the Company's code of corporate governance) and payments, awards, grants or issuances of securities pursuant thereto;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

(6) transactions with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, can designate one or more members of the board of, or otherwise controls, such joint venture or similar entity;

(7) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and as described in this Offering Memorandum under the caption "Certain relationships and related party transactions," and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement or arrangement as in effect on the Issue Date;

(8) (i) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the senior management of the Company, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person and (ii) to the extent constituting Affiliate Transactions, transactions with any governmental agency or entity in connection with the Oil and Gas Business;

(9) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Company or any of its Restricted Subsidiaries and any other Person with which the Company or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Company or such Restricted Subsidiaries would owe if such Person was not a member of such consolidated or tax advantageous group; and

(10) transactions between the Company or any Restricted Subsidiary and any Person, a director of which is also a director of the Company or any direct or indirect parent of the Company and such director is the sole cause for such Person to be deemed an Affiliate of the Company or any Restricted Subsidiary; *provided, however,* that such director shall abstain from voting as a director of the Company or such direct or indirect parent company, as the case may be, on any matter involving such other Person.

Limitation on lines of business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Oil and Gas Business, except to the extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Limitation on guarantees of indebtedness by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to Guarantee, assume or in any other manner become liable for the payment of any Public Indebtedness of the Company (other than the Notes) or a Guarantor (other than a Guarantee of the Notes), unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary which Note Guarantee will be senior in right of payment to or *pari passu* in right of payment with such Restricted Subsidiary's Guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Note Guarantee may be subordinated in right of payment to the Senior Debt of such additional Guarantor.

The foregoing paragraph will not be applicable to any Guarantees of any Restricted Subsidiary:

(1) existing on the date of the Indenture;

(2) that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(3) arising due to the granting of a Permitted Lien; or

(4) given to a bank or trust company having combined capital and surplus and undivided profits of not less than $250.0 million, whose debt has a rating, at the time such Guarantee was given, of at least "A" or the equivalent thereof by S&P and at least "A2" or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

(1) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary; and

(2) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision will be released as set forth under "—Note Guarantees release." A Guarantee of a future Guarantor will be deemed to provide by its terms that it shall be automatically and unconditionally released and discharged if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee shall take all necessary actions, including the granting of releases or waivers under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be either (1) a Restricted Investment made as of the time of the designation that will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Restricted payments" or (2) a Permitted Investment under one or more clauses of the definition of Permitted Investments, as determined in good faith by a responsible accounting or financial officer of the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," the Company will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a

Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of indebtedness and issuance of preferred stock," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the two half-year reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

(1) The Company will make available, upon request, to any holder of Notes or prospective purchaser of Notes in the United States, in connection with any sale thereof, the information specified in Rule 144A(d)(4) under the U.S. Securities Act, unless the Company is subject to Section 13 or 15(d) of the U.S. Exchange Act at or prior to the time of such request.

(2) So long as any Notes are outstanding, the Company shall furnish to the Trustee (which shall distribute the same to a holder of Notes upon such holder's written request):

(i) within 120 days after the end of each of the Company's fiscal years beginning with the fiscal year ending December 31, 2014, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to this Offering Memorandum: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years (and comparative information for the end of the prior fiscal year), including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, unless the *pro forma* information has been previously provided; *provided* that such *pro forma* financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations including a discussion of financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, all material affiliate transactions, Indebtedness and material financing arrangements and all material debt instruments; and (e) material risk factors and material recent developments; *provided that* (for so long as the U.K. Listing Authority and London Stock Exchange require annual reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for annual reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (i) with respect to such item;

(ii) within 90 days after the end of the Company's first fiscal half-year in each fiscal year beginning with the half-year ending June 30, 2014, semi-annual reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such six-month period and unaudited condensed statements of income and cash flow for the year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Company, together with condensed note disclosure; (b) *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the period as to which such report relates; *provided* that such *pro forma* financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the unaudited financial statements including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current half-year period and the corresponding period of the prior year; and (d) material recent developments; *provided that* (for so long as the U.K. Listing Authority and London Stock Exchange require interim reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for interim reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (ii) with respect to such item; and

(iii) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or changes in auditors of the Company or other material event that the Company announces publicly, a report containing a description of such event (but only to the extent that such acquisition, disposition, restructuring, change or event has been required to be publicly announced or disclosed by the U.K. Listing Authority and London Stock Exchange for so long as the Company is subject to such requirements);

provided, however, that any reports set out in this paragraph delivered to the Trustee via e-mail or other electronic means shall be deemed to have been "furnished" to the Trustee in accordance with the terms of this paragraph.

All financial statements, other than any *pro forma* financial information provided pursuant to clauses (i) and (ii) of the second paragraph of this covenant, shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the semi-annual and annual financial information required pursuant to clauses (i) and (ii) of the second paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

The Company will also make available copies of all reports required by clauses (i)—(iii) of the second paragraph of this covenant either (i) on the Company's website or (ii) publicly available through substantially comparable means (as determined by an Officer of the Company in good faith) (it being understood that, without limitation, making such reports available on Bloomberg or another private electronic information service will constitute substantially comparable public availability).

In addition, in the case of furnishing the information pursuant to clauses (i) and (ii) of the second paragraph of this covenant, the Company will promptly thereafter hold a conference call with holders of the Notes hosted by an Officer of the Company to discuss the operations of the Company and its Subsidiaries in respect of the relevant period. The Company will also make available copies of all reports required by clauses (i) and (ii) of the second paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Principal Paying Agent in New York.

Suspension of covenants when Notes rated investment grade

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "Suspension Period"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "—Repurchase at the option of holders—Asset sales";

(2) "—Certain covenants—Restricted payments";

(3) "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(4) "—Certain covenants—Dividend and other payment restrictions affecting subsidiaries";

(5) "—Certain covenants—Designation of restricted and unrestricted subsidiaries";

(6) "—Certain covenants—Transactions with affiliates";

(7) "—Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries";

(8) clause (4) of the first paragraph of the covenant described under "—Certain covenants—Merger, consolidation or sale of assets"; and

(9) "—Certain covenants—Limitation on lines of business."

Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "—Restricted payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of the caption "—Incurrence of indebtedness and issuance of preferred stock." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee and the holders that the two conditions set forth in the first paragraph under this heading have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obligated to notify holders that the two conditions set forth in the first paragraph under this heading have been satisfied.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Maintenance of listing

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Euro MTF Market for so long as such Notes are outstanding; *provided* that if the Company is unable to obtain admission to listing of the Notes on the Luxembourg Stock Exchange or if at any time the Company determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another recognized stock exchange.

Events of default and remedies

Each of the following is an "Event of Default":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);

(2) default in the payment when due (at final maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);

(3) failure by the Company or any Guarantor to comply with the provisions described under the caption "—Certain covenants—Merger, consolidation or sale of assets";

(4) failure by the Company for 30 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the provisions described under the caption "—Repurchase at the option of holders—Change of control" above;

(5) failure by the Company or relevant Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding to comply with any of the other agreements in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2), (3) or (4)), or the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created, after the Issue Date, if that default:

(a) is caused by a failure to pay principal of such Indebtedness at final maturity thereof after giving effect to any applicable grace periods provided in such Indebtedness and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $100.0 million or more;

(7) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final and non-appealable judgments entered by a court or courts of competent jurisdiction aggregating in excess of $100.0 million (net of any amount with respect to which a reputable and solvent insurance company has acknowledged liability in writing), which judgments are not paid, discharged, stayed or fully bonded for a period of 60 days (or, if later, the date when payment is due pursuant to such judgment);

(8) except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any Person acting on behalf of any such Guarantor that is a Significant Subsidiary, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all then outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the then outstanding Notes to be due and payable immediately by notice in writing to the Company and, in case of a notice by holders, also to the Trustee specifying the respective Event of Default and that it is a notice of acceleration.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "—Amendment, supplement and waiver") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of interest or Additional Amounts or premium on, or the principal of, the Notes held by a non-consenting holder (which may be waived with the consent of each holder of Notes affected).

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

Additional Guarantee Subordination Agreements

The Indenture will provide that, subject to the covenants contained therein, at the request of the Company, at or prior to any time that the Company or any of the Company's Restricted Subsidiaries Guarantees or otherwise incurs any Senior Debt that is permitted to be incurred pursuant to the covenants described under the heading "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" and "—Certain covenants—Liens," the Company, any relevant Guarantor and the Trustee may (without the consent of the holders of the Notes), either amend and/or restate the Guarantee Subordination Agreement or enter into with the creditors and/or representatives of creditors with respect to such Senior Debt a subordination agreement or deed (each, an "Additional Guarantee Subordination Agreement"), in either such case on substantially similar terms to the terms of the Guarantee Subordination Agreement (where applicable) with respect to the subordination in right of payment, payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections (or, in the case of any such terms, terms more favorable to the holders of the Notes).

Such amendment and/or restatement of the Guarantee Subordination Agreement or such entry into an Additional Guarantee Subordination Agreement, as the case may be, will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or the holders of Notes under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or result in the Trustee or the holders of the Notes being in breach, or otherwise in violation, of the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Indenture will also provide that, at the direction of the Company and without the consent of the holders of the Notes, the Trustee will, upon the direction of the Company, from time to time enter into one or more amendments to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness of the types covered by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement in a manner not prohibited by the Indenture and in a manner substantially consistent with the ranking and terms of such Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) make any change necessary or desirable, in the good faith determination of an Officer of the Company, in order to implement any transactions permitted under the caption "—Certain covenants—Merger, consolidation or sale of assets"; *provided* that any such change does not adversely affect the rights of the holders of the Notes in any material respect; or (v) make any other such change thereto that does not adversely affect the rights of the holders of the Notes in any material respect; *provided* that the Trustee shall not be obligated to enter into any amendment to the extent such amendment imposes any personal obligations on the Trustee or, in the reasonable opinion of the Trustee, adversely affects the Trustee's rights, duties, liabilities or immunities under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Company shall not otherwise direct the Trustee to enter into any amendment or restatement of the Guarantee Subordination Agreement or enter into any Additional Guarantee Subordination Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted as described below under "—Amendment, supplement and waiver."

The Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be discharged at the option of the Company if at the date of such discharge the Indebtedness of the Company or a Restricted Subsidiary in respect of Senior Liabilities (as defined in the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement) has been discharged or refinanced. The Trustee shall take all necessary actions to effectuate the discharge of the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement in accordance with these provisions, subject to customary protections and indemnifications.

Each holder of a Note, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Trustee to give effect to such provisions;

(2) authorized the Trustee to become a party to the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements;

(3) agreed to be bound by such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements; and

(4) irrevocably appointed the Trustee to act on its behalf to enter into and comply with such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

Legal defeasance and covenant defeasance

The Company may at any time, at its option, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including the Company's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment or, solely with respect to the Company, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of default and remedies" will no longer constitute an Event of Default with respect to the Notes. If the Company exercises either its Legal Defeasance or Covenant Defeasance option, each Guarantor will be released and relieved of any obligations under its Note Guarantee.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient to pay the principal of, or interest (including Additional Amounts) and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(5) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(6) the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

For the avoidance of doubt, all cash and securities deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) to hold in trust pursuant to this section or "—Satisfaction and discharge" shall not be subject to subordination pursuant to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

Amendment, supplement and waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be amended or supplemented with the consent of the Company and the holders of a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of the Company and each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or repurchase of the Notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the option of holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (other than as permitted in clause (7) below);

(7) waive a redemption or repurchase payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the option of holders");

(8) modify or release any of the Note Guarantees in any manner adverse to the holders of the Notes, other than in accordance with the terms of the Indenture and the Guarantee Subordination Agreement (or any Additional Guarantee Subordination Agreement);

(9) impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Note Guarantee in respect thereof;

(10) make any change to the ranking of the Notes or Note Guarantees, in each case in a manner that adversely affects the rights of the holders of the Notes; or

(11) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement for the purposes described under "—Additional Guarantee Subordination Agreements" or:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a transaction described under "—Certain covenants—Merger, consolidation or sale of assets";

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(7) to allow any Guarantor to Guarantee the Notes or to evidence the release of Note Guarantees pursuant to the terms of the Indenture;

(8) to the extent necessary to provide for the granting of a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited under the Indenture; or

(9) to evidence and provide for the acceptance and appointment of a successor trustee under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or to provide for the accession by the Trustee to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including opinions of counsel and Officers' Certificates.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Satisfaction and discharge

The Indenture and the Note Guarantees will be discharged and will cease to be of further effect as to all Notes issued thereunder (except as to surviving rights to transfer or exchange Notes and as otherwise specified in the Indenture), when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Registrar for cancellation; or

(b) all Notes that have not been delivered to the Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of any interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Registrar for cancellation for principal, premium, Additional Amounts, if any, and accrued interest to the date of final maturity or redemption;

(2) in the case of clause (1)(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at final maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2), (3) and (4)).

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for admission and trading on the Euro MTF Market. The listing agent is Deutsche Bank Luxembourg S.A.

Judgment currency

Any payment on account of an amount that is payable in U.S. dollars which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of U.S. dollars with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of U.S. dollars that could be so purchased is less than the amount of U.S. dollars originally due to such holder or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Company shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however*, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. In case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its rights or powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense.

The Company and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, fraud, willful misconduct or bad faith on its part, arising out of or in connection with its duties.

Additional information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement without charge by writing to

Tullow Oil plc, Investor Relations, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom, care of Chris Perry.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Company's annual audited consolidated financial statements and the Company's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the offices of the Paying Agents in New York and London.

Consent to jurisdiction and service of process

The Indenture will provide that each of the Company and the Guarantors will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such non-exclusive jurisdiction.

Enforceability of judgments

Since substantially all of the assets of the Company and the Guarantors are outside the United States, any judgment obtained in the United States against the Company or any Guarantor may not be collectable within the United States. See "Service of process and enforcement of civil liabilities."

Prescription

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will not be permitted ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will not be permitted five years after the applicable due date for payment of interest.

Certain definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*2020 Senior Notes*" means the Company's $650,000,000 aggregate principal amount of 6% Senior Notes due 2020 issued under the 2020 Senior Notes Indenture.

"*2020 Senior Notes Indenture*" means that certain indenture, dated as of November 6, 2013 and as amended or waived from time to time, among the Company, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank Trust Company Americas, as registrar, transfer agent and principal paying agent and Deutsche Bank AG, London Branch, as London paying agent.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Assets*" means:

(1) any property or assets used or useful in the Oil and Gas Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or any of its Restricted Subsidiaries; or

(3) Capital Stock constituting a Minority Interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (2) or (3) is primarily engaged in the Oil and Gas Business.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note at any time, the greater of (a) 1.0% of the principal amount of such Note and (b) the excess of:

(1) the present value at such time of (i) the redemption price of the Note on April 15, 2017 (such redemption price being set forth in the table appearing under the caption "—Optional Redemption"), plus (ii) all required interest payments due on the Note through April 15, 2017 (excluding accrued but unpaid interest to the redemption date) discounted back to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30- day months) at a rate equal to the Treasury Rate as of such time plus 50 basis points; over

(2) the then-outstanding principal amount of the Note.

The Company shall calculate the Applicable Premium and, for the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights (including by way of a Production Payment but excluding an operating lease entered into in the ordinary course of the Oil and Gas Business); *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "—Repurchase at the option of holders—Change of control" and/or the provisions described above under the caption "—Certain covenants—Merger, consolidation or sale of assets" and not by the provisions described under the caption "—Repurchase at the option of holders—asset sales"; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale by the Company or its Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $50.0 million;

(2) a transfer or other disposition of assets or Equity Interests between or among the Company and/or its Restricted Subsidiaries;

(3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(4) the sale, lease or other disposition of products, services, Hydrocarbons or mineral products inventory or accounts receivable or other assets in the ordinary course of business;

(5) the abandonment, farm-in, farm-out, carry, lease or sublease of any oil and gas properties (including, without limitation, any property or interest associated with the Tweneboa, Enyenra or Ntomme fields in Ghana) or the forfeiture or other disposition of such properties, in each case in the ordinary course of business;

(6) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets;

(7) any sale or other disposition of damaged, unserviceable, worn-out or obsolete assets in the ordinary course of business;

(8) the sale or other disposition of cash or Cash Equivalents or other financial assets in the ordinary course of business;

(9) for purposes of the covenant described above under the heading "—Repurchase at the option of holders—Asset sales" only, the making of a Permitted Investment or a disposition subject to the covenant described above under the caption "—Certain covenants—Restricted payments";

(10) the sale or other disposition (whether or not in the ordinary course of business) of crude oil and natural gas properties; *provided* that at the time of such sale or other disposition such properties do not have associated with them any proved and probable reserves;

(11) any Asset Swap;

(12) granting of Liens not prohibited by the covenant described under the caption "—Certain covenants—Liens";

(13) the licensing or sublicensing of intellectual property, including, without limitation, licenses for seismic data or other general intangibles and licenses, leases or subleases of other property, in the ordinary course of business and which do not materially interfere with the business of the Company and its Restricted Subsidiaries taken as a whole;

(14) a surrender or waiver of contract rights, oil and gas leases or the settlement, release or surrender of contract, tort or other claims of any kind;

(15) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(16) any sale or other disposition of any oil and gas properties or interests therein to any governmental authority that is (i) a result of a relinquishment to, or a compulsory or involuntary acquisition by, such authority or (ii) made in connection with acquiring, renewing or retaining, as applicable, any other oil and gas properties or interests awarded by such governmental authority; *provided* that any cash or Cash Equivalents received in connection with any such sale or other disposition must be applied in accordance with the covenant described under "—Repurchase at the option of holders—Asset sales";

(17) foreclosure, condemnation or any similar action with respect to any property or other assets; and

(18) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary or shall become customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto.

"*Asset Swap*" means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange (including, without limitation, by way of any farm-out, farm-in, lease or sublease) of any assets or properties or interests therein used or useful in the Oil and Gas Business between the Company or any of its Restricted Subsidiaries and another Person; *provided* that the Fair Market Value of the properties or assets or interests therein traded or exchanged by the Company or such Restricted Subsidiary (together with any cash) is reasonably equivalent (as determined in good faith by a responsible accounting or financial officer of the Company) to the Fair Market Value of the properties or assets or interests therein (together with any cash) to be received by the Company or such Restricted Subsidiary, and *provided further* that any net cash received must be applied in accordance with the provisions described above under the caption "—Repurchase at the option of holders—asset sales" if then in effect.

"*Bank Credit Facilities*" means any Credit Facility that does not constitute Public Indebtedness.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficial Ownership," "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Borrowing Base Facilities*" means one or more debt facilities, instruments or arrangements incurred by the Company, any Restricted Subsidiary or any Finance Subsidiary with banks providing for revolving credit loans, term loans or letters of credit, or other Indebtedness, pursuant to a reserves and/or resources-based borrowing base or other asset-backed base and/or calculation based on the present value of estimated future oil and gas revenues and/or development financing, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any promissory notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Borrowing Base Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, Luxembourg or New York or another place of payment under the Indenture are authorized or required by law to close.

"*Calculation Date*" has the meaning given in the definition of "Fixed Charge Coverage Ratio."

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union on December 31, 2003, Switzerland, Norway, Canada, Australia or Japan (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland, Norway, Canada, Australia or Japan, as the case may be, having maturities of not more than fifteen months from the date of acquisition, the long-term debt of which is rated at the time of acquisition thereof is at least "A" or the equivalent thereof by S&P, or "A2" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency;

(2) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than fifteen months from the date of acquisition thereof issued by any commercial bank, the long-term debt of which is rated at the time of acquisition thereof at least "A—" or the equivalent thereof by S&P, or "A3" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency, and having combined capital and surplus in excess of $250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof;

(5) in the case of any Restricted Subsidiary of the Company located outside the United States, Canada and the European Union, any substantially similar investment to the kinds described in clauses (2) and (3) of this definition obtained in the ordinary course of business and (i) with the highest ranking obtainable in the applicable jurisdiction or (ii) with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long-term debt, among the top five banks in such jurisdiction; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the U.S. Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares.

"*Clearstream*" means Clearstream Banking, *société anonyme* and its successors.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus* the following, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with a sale of assets (together with any related provision for taxes and any related non-recurring charges relating to any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity) to the extent deducted in calculating such Consolidated Net Income; *plus*

(2) taxes based on income or profits of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(4) depreciation, depletion, amortization (including, without limitation, amortization of intangibles and deferred financing fees but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment and other non-cash charges and expenses (including, without limitation, write downs and impairment of property, plant, equipment and intangible and other long lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period), of such Person and its Restricted Subsidiaries (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) for such period to the extent deducted in calculating such Consolidated Net Income; *plus*

(5) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" (including any refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence, in each case to the extent deducted in calculating such Consolidated Net Income; *plus*

(6) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness); *plus*

(7) the amount of any minority interest expense consisting of subsidiary income attributable to Minority Interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(8) if such Person accounts for its oil and natural gas operations using successful efforts or a similar method of accounting, consolidated exploration and abandonment expense and write-offs of the Company and its Restricted Subsidiaries; *plus*

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income; *plus*

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (10) of the definition of Consolidated Net Income) , other than items that were accrued in the ordinary course of business; and *minus*

(12) the sum of (a) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (b) amounts recorded in accordance with IFRS as repayments of principal and interest pursuant to Dollar-Denominated Production Payments,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Leverage*" means, as of any date of determination, with respect to any specified Person, the total amount of Indebtedness under Credit Facilities of such Person and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations and excluding letters of credit).

"*Consolidated Leverage Ratio*" means, as of any date of determination, with respect to any specified Person, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated Cash Flow of the Person for the two most recent half-year periods ending immediately prior to such date for which internal financial statements are available. For purposes of calculating the Consolidated Cash Flow for such period:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period, and on or prior to the date of determination, or that are to be made on the date of determination, will be given *pro forma* effect as if they had occurred on the first day of the two half-year reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the date of determination (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be excluded;

(3) any Person that is a Restricted Subsidiary on the date of determination will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(4) any Person that is not a Restricted Subsidiary on the date of determination will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculation shall be determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated expense and cost reduction synergies. In determining the amount of Indebtedness in respect of borrowed money outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness in respect of borrowed money on such date. Any undrawn amounts under revolving credit Indebtedness shall be deemed not to be outstanding.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS; *provided* that:

(1) the net income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "—Certain covenants—Restricted payments," any net income (but not loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to such Person (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date and (d) any restriction listed under clauses (1), (2), (3), (4) or (11) of the second paragraph of the covenant described above under the caption "—Certain covenants—Dividend and other payment restrictions affecting subsidiaries") except that such Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to such Person or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) income resulting from transfers of assets (other than cash) between such Person or any of its Restricted Subsidiaries, on the one hand, and an Unrestricted Subsidiary, on the other hand, will be excluded;

(5) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of such Person or its consolidated Restricted Subsidiaries (including pursuant to any sale or leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of such Person) and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person will be excluded;

(6) any "ceiling limitation" or other asset impairment writedowns on oil and gas properties will be excluded;

(7) any unrealized non-cash gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expense arising from any grant of stock, stock option or other equity-based award will be excluded;

(9) to the extent deducted in the calculation of net income, any non- cash or non-recurring charges associated with any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity will be excluded; and

(10) (a) extraordinary, exceptional, unusual or non-recurring gains, losses or charges, (b) any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events) or (c) any non-cash charges or reserves in respect of any restructurings, redundancy, integration or severance, or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges, in each case will be excluded.

"*Consolidated Total Assets*" means the total assets of the Company and its Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Company prepared in accordance with IFRS.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof; or

(4) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Corporate Facility*" means the secured revolving credit facility agreement dated as of December 14, 2009, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as the borrower and BNP Paribas as Agent.

"*Credit Facilities*" means, one or more debt facilities, capital markets indentures, instruments or arrangements incurred by the Company, any Restricted Subsidiary or any Finance Subsidiary (including the RBL Facilities, Corporate Facility and Norwegian Facility or commercial paper facilities and overdraft facilities) with banks, funds or other institutions or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, notes or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, funds, institutions or investors and whether provided under the RBL Facilities, Corporate Facility and Norwegian Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any promissory notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officers' Certificate, setting forth the basis of such valuation, *less* the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain covenants—Restricted payments." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Dollar-Denominated Production Payments*" means production payment obligations recorded as liabilities in accordance with IFRS, together with all undertakings and obligations in connection therewith.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale of Capital Stock (other than Disqualified Stock and other than to a Subsidiary of the Company) by the Company after the Issue Date.

"*Euroclear*" means Euroclear Bank SA/NV and its successors, as operator of the Euroclear System.

"*Existing Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the RBL Facilities, Corporate Facility and 2020 Senior Notes Indenture) in existence on the date of the Indenture, including, without limitation, Indebtedness under the Norwegian Facility.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Company.

"*Finance Subsidiary*" means a wholly owned subsidiary of the Company that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Company or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"*Fitch*" means Fitch, Inc. or any successor to its ratings business.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two full half-year reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date (and, for the avoidance of doubt, not reclassified on such Calculation Date) pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the application of the proceeds of any Indebtedness incurred pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in the Oil and Gas Business), or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period and on or prior to the Calculation Date or that are to be made on the Calculation Date, will be given *pro forma* effect (including Pro Forma Cost Savings) as if they had occurred on the first day of the two half-year reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding any interest attributable to Dollar-Denominated Production Payments but including, without limitation, amortization of discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings), and net of

the effect of all payments made or received pursuant to Hedging Obligations (excluding amortization of fees) in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, to the extent paid in cash by such Person or any of its Restricted Subsidiaries; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any series of preferred stock of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to the Person or a Restricted Subsidiary of such Person, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current statutory tax rate of such Person, expressed as a decimal.

"*FPSO*" means any floating storage and offloading unit, floating storage and production unit or floating production, storage and offloading unit and any related infrastructure in connection with the foregoing.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to maintain financial statement conditions or otherwise), or entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Guarantee" will not include the endorsements for collection or deposit in the ordinary course of business or any obligation to the extent it is payable only in Capital Stock of the guarantor that is not Disqualified Stock. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Subordination Agreement*" means the subordination agreement dated November 6, 2013 made between, among others, the Company, the trustee under the 2020 Senior Notes Indenture and the facility agents and security trustee under the RBL Facilities and Corporate Facility, and to which the Trustee will accede to on the Issue Date, as amended, restated or otherwise modified or varied from time to time.

"*Guarantors*" means, collectively, Tullow Oil SK Limited, Tullow Cote d'Ivoire Limited, Tullow Oil SPE Limited, Tullow Congo Limited, Tullow Equatorial Guinea Limited, Tullow Ghana Limited, Tullow Oil Gabon S.A., Tullow Oil International Limited, Tullow Exploration & Production Netherlands B.V., Tullow Uganda Limited and Tullow Uganda Operations Pty Ltd. and any other Person that Guarantees the Notes in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements, other agreements or arrangements designed to manage interest rates or interest rate risk;

(2) any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates;

(3) any forward contract, commodity futures contract, commodity option agreement, commodity swap agreement, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used, produced, processed or sold by that Person or any of its Restricted Subsidiaries at the time; and

(4) other agreements or arrangements designed to protect such Person against fluctuations in interest rates, commodity prices or currency exchange rates, including Currency Exchange Protection Agreements.

"*Hydrocarbons*" means oil, gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof and products refined or processed therefrom.

"*IFRS*" means International Financial Reporting Standards as adopted by the European Union and in effect on the Issue Date or, with respect to the covenant "Reports," as in effect from time to time.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of bankers' acceptances (or reimbursement obligations in respect thereof except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property due more than one year after such property is acquired;

(6) representing any Hedging Obligations;

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons; and

(8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (including, with respect to any Production Payment, any warranties or guarantees of production or payment by such Person with respect to such Production Payment, but excluding other contractual obligations of such Person with respect to such Production Payment);

provided that the foregoing indebtedness (other than letters of credit and Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS; *provided* that, notwithstanding any consolidation under IFRS, the preceding items shall not constitute "Indebtedness" for purposes hereof if (i) such Indebtedness is incurred by an orphan vehicle whose shares are not owned by such specified Person or any of its Subsidiaries and (ii) such Indebtedness is neither guaranteed by, nor secured by the assets of, such specified Person or any of its Subsidiaries. Notwithstanding the foregoing, indebtedness shall be included in the definition of Indebtedness after deducting any receivable due from another Person (other than the Company and its Restricted Subsidiaries) who has an interest in an asset financed with such indebtedness to the Company or any Restricted Subsidiary in respect of such other Person's interest in the relevant asset. Subject to clause (8) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

The term "Indebtedness" shall not include:

(1) any lease of property which would be considered an operating lease under IFRS;

(2) for the avoidance of doubt, Contingent Obligations;

(3) any obligation of a Person in respect of a farm-in agreement or similar arrangement whereby such Person agrees to pay all or a share of the drilling, completion or other expenses of an exploratory or development well (which agreement may be subject to a maximum payment obligation, after which expenses are shared in accordance with the working or participation interest therein or in accordance with the agreement of the parties) or perform the drilling, completion or other operation on such well in exchange for an ownership interest in an oil or gas property;

(4) in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business; or

(5) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

"*Investment Grade Status*" shall occur when the Notes are rated as follows by two of the following three Rating Agencies: Baa3 or better by Moody's, BBB—or better by S&P and/or BBB—or better by Fitch (or, if any such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization," as that term is defined for purposes of Section 3(a)(62) of the U.S. Exchange Act, selected by the Company as a replacement agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments." The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain covenants—Restricted payments." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means April 8, 2014.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding $10.0 million in the aggregate outstanding at any time.

"*Minority Interest*" means the percentage interest represented by any shares of stock of any class of Capital Stock of a Restricted Subsidiary of the Company that are not owned by the Company or a Restricted Subsidiary of the Company.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to its ratings business.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation:

(1) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all Taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

(3) all distributions and other payments required to be made to holders of Minority Interests in Subsidiaries or joint ventures as a result of such Asset Sale; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Company or any Restricted Subsidiary after such Asset Sale.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) the explicit terms of which provide there is no recourse to the stock or assets of the Company or any of its Restricted Subsidiaries, except as contemplated by clause (26) of the definition of Permitted Liens.

"*Norwegian Facility*" means the secured revolving exploration finance facility agreement dated as of June 19, 2012, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, Spring Energy Norway AS (now Tullow Oil Norge AS) as an original borrower and Merchant Banking, Skandinaviska Enskilda Banken AB as Agent.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Company's Obligations under the Indenture and the Notes pursuant to the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, a member of the Board of Directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, any managing director, any responsible accounting or financial officer, the secretary or the equivalent position of any of the foregoing or any other Person that the Board of Directors of such Person shall designate for such purpose.

"*Officers' Certificate*" means a certificate signed on behalf of any Person by one or more Officers.

"*Offering Memorandum*" means this offering memorandum dated April 3, 2014.

"*Oil and Gas Business*" means:

(1) the acquisition, exploration, exploitation, development, production, operation and disposition of interests in oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties or products produced in association with the foregoing;

(2) the gathering, marketing, distributing, treating, refining, processing, storing, selling and transporting of any production from oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties (whether or not such properties are owned by the Company and/or its Subsidiaries) and products produced in association therewith;

(3) any other related energy business, including power generation and electrical transmission business, from oil, natural gas and other Hydrocarbons and minerals produced substantially from properties in which the Company or its Restricted Subsidiaries, directly or indirectly, participates;

(4) any business relating to oil and gas field seismic mapping, sales, service and technology development; and

(5) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in clauses (1), (2), (3) or (4) of this definition.

"*Permitted Business Investments*" means Investments made in the ordinary course of, and of a nature that is or shall become customary in, the Oil and Gas Business, as a means of actively exploiting, exploring for, acquiring, developing, producing, processing, gathering, marketing, distributing, storing or transporting oil, natural gas or other Hydrocarbons and minerals (including with respect to plugging and abandonment) through agreements, transactions, interests or arrangements that permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of the Oil and Gas Business jointly with third parties, including without limitation:

(1) direct or indirect ownership of crude oil, natural gas, other restricted Hydrocarbon and minerals properties or any interest therein or gathering, transportation, processing, storage or related systems or ancillary real property interests;

(2) Investments in the form of or pursuant to operating agreements, joint ventures, processing agreements, farm-in agreements, farm-out agreements, development agreements, production sharing agreements, area of mutual interest agreements, contracts for the sale, transportation or exchange of crude oil and natural gas and other Hydrocarbons and minerals, participation agreements, unitization agreements, pooling arrangements, joint bidding agreements, service contracts, partnership agreements (whether general or limited), subscription agreements, stock purchase agreements, stockholder agreements and other similar agreement (including for limited liability companies) or other similar or customary agreements, in each case made or entered into with third parties (including Unrestricted Subsidiaries); and

(3) direct or indirect ownership interests in drilling rigs, FPSOs and common processing facilities and in each case related equipment, including, without limitation, transportation equipment.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in any Person whose primary business is the Oil and Gas Business, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the option of holders—Asset sales";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however,* that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(9) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;

(10) Guarantees of Indebtedness permitted under the covenant contained under the caption "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(11) guarantees by the Company or any of its Restricted Subsidiaries of operating leases (other than Capital Lease Obligations) or of other obligations that do not constitute Indebtedness, in each case entered into by any Restricted Subsidiary in the ordinary course of business;

(12) Investments of a Restricted Subsidiary acquired after the Issue Date or of any entity merged into the Company or merged into or consolidated or amalgamated with a Restricted Subsidiary in accordance with the covenant described under "—Certain covenants—Merger, consolidation or sale of assets" to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;

(13) Permitted Business Investments;

(14) Investments received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(15) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(16) Guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course in the Oil and Gas Business, including obligations under oil and natural gas exploration, development, joint operating, and related agreements and licenses, concessions or operating leases related to the Oil and Gas Business;

(17) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(18) Management Advances;

(19) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business, in each case to the extent the same constitutes an Investment;

(20) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(21) receivables or working capital loans or other such similar forms of credit support owing to the Company or any Restricted Subsidiary of the Company and advances to suppliers, contractors or builders, in each case payable or dischargeable in accordance with such trade terms as the Company or such Restricted Subsidiary deems reasonable under the circumstances;

(22) (a) loans or grants customary or advisable in the Oil and Gas Business in respect of community development projects or economic development activities in Africa, as appropriate for the Company's regions of operation or consistent with past practice or counterparty requirements and (b) Investments made with funds received by the Company and its Restricted Subsidiaries from grants or donations from third parties, including, without limitation, in respect of subclauses (a) and (b), community development projects or economic development activities undertaken by Invest in Africa; and

(23) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (23) that are at the time outstanding, not to exceed the greater of (x) $250.0 million and (y) 2.5% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "—Certain covenants—Restricted payments," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens securing Indebtedness incurred under (i) Bank Credit Facilities pursuant to the first paragraph of the covenant entitled "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock" and (ii) Credit

Facilities pursuant to clause (1) of the second paragraph of the covenant entitled "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(2) Liens in favor of the Company or any Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated or amalgamated with the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person merged into or consolidated or amalgamated with the Company or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens existing on the Issue Date;

(6) Liens on Capital Stock of and assets of any Restricted Subsidiary that is not a Guarantor that secures Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor;

(7) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) that are being contested in good faith by appropriate proceedings;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights of way, gas and oil pipelines, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(10) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(11) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(12) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(13) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however,* that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such extension, renewal, refunding, refinancing, replacement, exchange, defeasance or discharge;

(14) Liens for the purpose of securing (a) all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of any FPSO used or useful in the Oil and Gas Business and any Permitted Refinancing Indebtedness in respect thereof permitted to be incurred under the Indenture and (b) the payment of all or a part of the purchase price of, or Capital Lease Obligations with respect to, or the repair, improvement or construction cost of, assets or property acquired or repaired, improved or constructed in the ordinary course of business;

(15) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(17) Liens in respect of Production Payments and Reserve Sales, *provided* such Liens are limited to the property that is the subject of such Production Payment and Reserve Sale;

(18) Liens on pipelines and pipeline facilities that arise by operation of law;

(19) Liens arising under oil and gas leases or subleases, assignments, farm-out agreements, farm-in agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of Hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, partnership agreements, operating agreements, royalties, royalty trusts, working interests, carried working interests, net profit interests, joint interest billing arrangements, joint venture agreements, participation agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, licenses, sublicenses and other agreements which are customary in the Oil and Gas Business; *provided, however*, in all instances that such Liens are limited to the assets that are subject to the relevant agreement, program, order or contract;

(20) any (a) interest or title of a lessor or sublessor under any lease, Liens reserved in oil, gas or other Hydrocarbons, mineral leases for bonus, royalty or rental payments and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding subclause (b);

(21) Liens arising under the Indenture in favor of the Trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the Indenture, *provided, however,* that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(22) Liens securing Hedging Obligations, which obligations are permitted by clause (9) of the second paragraph of the covenant described under "—Certain covenants—Incurrence of indebtedness and issuance of preferred stock";

(23) Liens upon specific items of inventory, receivables or other goods (or the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or receivables securitizations issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory, receivables or other goods (or the proceeds thereof);

(24) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(25) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary (including those arising from progress or partial payments by a third party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(26) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(28) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(29) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(30) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(31) Liens over treasury stock of the Company or a Restricted Subsidiary purchased or otherwise acquired for value by the Company or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(32) Liens with respect to Indebtedness of the Company or any Subsidiary of the Company with respect to Indebtedness at any one time outstanding that does not exceed the greater of (x) $125.0 million and (y) 1.25% of Consolidated Total Assets as determined on the date of incurrence of such Indebtedness after giving *pro forma* effect to such incurrence and the application of the proceeds therefrom;

(33) the following ordinary course items:

(a) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(b) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;

(c) pledges or deposits made in the ordinary course of business (A) in connection with leases, tenders, bids, statutory obligations, surety or appeal bonds, government contracts, performance bonds and similar obligations, (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit issued to assure payment of such obligations) or (C) to secure plugging and abandonment obligations;

(d) Liens arising from Uniform Commercial Code financing statement filings under U.S. state law (or similar filings under applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(e) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(f) leases, licenses, subleases and sublicenses of assets in the ordinary course of business; and

(g) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; and

(34) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (2) through (33) (but excluding clauses (14) and (32)); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is

equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Company or any Guarantor was the obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Company, a Finance Subsidiary or by a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Production Payments*" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"*Production Payments and Reserve Sales*" means the grant or transfer by the Company or a Restricted Subsidiary of the Company to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental, title or other matters customary in the Oil and Gas Business, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Subsidiary of the Company.

"*Pro Forma Cost Savings*" means, without duplication, with respect to any period, reductions in costs and related adjustments that have been actually realized or are projected in good faith by a responsible accounting or financial officer of the Company to result from reasonably identifiable and factually supportable actions or events, but only if such reductions in costs and related adjustments are so projected by the Company to be realized during the consecutive two half-year reference period commencing after the transaction giving rise to such calculation.

"Public Indebtedness" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (x) a public offering or (y) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the U.S. Securities Act (or Rule 144A and Regulation S under the U.S. Securities Act) whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. For the avoidance of doubt, the term "Public Indebtedness" shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than fifteen Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), or any commercial bank or similar Indebtedness, receivables financing, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"*Rating Agencies*" means (1) S&P, (2) Moody's, (3) Fitch and (4) if S&P, Moody's, Fitch or any of these shall not make a rating of the Notes available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch or any of these, as the case may be.

"*RBL Facilities*" means, collectively, (i) the senior secured revolving credit facility agreement dated as of August 22, 2005, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as agent; (ii) the senior secured revolving credit facility agreement dated as of May 29, 2009, as amended, restated or otherwise modified or varied from time to time, entered into by Tullow Oil plc as an original borrower and International Finance Corporation as lender and agent and (iii) the junior secured revolving credit facility agreement, dated as of August 22, 2005, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, Tullow Oil plc as an original borrower and BNP Paribas as agent.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary. Unless the context requires otherwise, each reference to a Restricted Subsidiary herein is to a Restricted Subsidiary of the Company.

"*S&P*" means Standard & Poor's Ratings Services and any successor to its ratings business.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Senior Debt*" means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of the Company or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post-filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Debt will not include

(a) any Indebtedness incurred in violation of the Indenture;

(b) any obligation of (i) the Company to any Restricted Subsidiary or (ii) any Guarantor to the Company or any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, guarantee or obligation of the Company or any Guarantor that is evidenced by an instrument that expressly provides, in the case of the Company, that it is subordinate in right of payment to the Notes, or in the case of any Guarantor, that it is subordinate or *pari passu* in right of payment with the Note Guarantee of such Guarantor; or

(f) any Capital Stock.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that, together with its Subsidiaries which are Restricted Subsidiaries, (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligation*" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Note Guarantee pursuant to a written agreement, as the case may be.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any corporation, association or other business entity of which that Person or one or more of the other Subsidiaries of that Person (or any combination thereof), directly or indirectly, has the right to appoint a majority of the directors, managers or trustees, as applicable, or has the operational control of the corporation, association or other business entity and the financial results of such corporation, association or other business entity are consolidated with the financial results of such Person or one or more of the other Subsidiaries of that Person (or any combination thereof); and

(3) any partnership, joint venture, limited liability company or similar entity of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that

Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, interest and any other additions thereto). "Taxes" and "Taxation" shall be construed to have corresponding meanings.

"*Treasury Rate*" means, in respect of any redemption date, the yield to maturity as of the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to April 15, 2017; *provided, however,* that if the period from the redemption date to April 15, 2017 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Company will calculate the Treasury Rate no later than the second (and no earlier than the fourth) Business Day preceding the applicable redemption date.

"*U.S. dollars*" or "*$*" means the lawful currency of the United States of America.

"*U.S. Government Obligations*" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain covenants—Transactions with affiliates," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

All Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries.

"*U.S. Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*U.S. Securities Act*" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Volumetric Production Payments*" means production payment obligations recorded as deferred revenue in accordance with IFRS, together with all related undertakings and obligations.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one- twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

Book-entry, delivery and form

General

The Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**").

The Notes sold within the United States to qualified institutional buyers, pursuant to Rule 144A, will initially be represented by a global note in registered form without interest coupons attached (the "**144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**"). On the closing date the Global Notes will be deposited with a custodian of DTC and registered in the name of Cede & Co., as nominee of DTC.

Investors who are qualified institutional buyers and who purchase Notes in reliance on Rule 144A may hold their interests in a Rule 144A Global Note directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Investors who hold beneficial interests in a Regulation S Global Note may hold such interests directly through Euroclear and Clearstream if they are participants in these systems, or indirectly through organizations that are participants in Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, DTC (or its nominee) will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests to exercise any rights of holders under the Indenture.

None of the Company, any Guarantor or the Trustee under the Indenture, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if DTC notifies the Company that it is unwilling or unable to continue to act as depository and the Company does not appoint a successor depository within 120 days;
- if the Company, at its option but subject to DTC's rules, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes; or
- if DTC so requests following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or the Company, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Notice to investors," unless that legend is not required by the Indenture or applicable law.

Redemption of global notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of DTC, and, as applicable, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, and, as applicable, Euroclear and Clearstream, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than $200,000 in principal amount may be redeemed in part.

Payments on global notes

The Company will make payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Notes (i.e., the nominee for DTC) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

To tender Book-Entry Interests in the change of control offer, the holder of the applicable Global Note must, within the period specified in such offer, give notice of such tender to the Principal Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through DTC in dollars.

Action by owners of book-entry interests

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "Notice to investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to investors."

During the period ending 40 days after the commencement of the offering of the Notes (the "40-Day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Subject to the foregoing, and as set forth in "Notice to investors" Book-Entry Interests may be transferred and exchanged as described under "Description of Notes—Transfer and exchange." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only as described under "Description of Notes—Transfer and exchange" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to investors."

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the 144A Global Note. The policies and practices of DTC may prohibit transfers of Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40-Day Period. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Company nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Company that it is:

- a limited purpose trust company organized under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the NYSE Euronext and the National Association of Securities Dealers, Inc. and a number of its direct participants. Other parties, such as banks, brokers and dealers and trust companies, who clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book- entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC will receive distributions attributable to the 144A Global Note only through DTC participants.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore be required by DTC to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through DTC, Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving DTC, Euroclear and Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels or Luxembourg, depending on whether Euroclear or Clearstream is used.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, any Guarantor, the Trustee, the London Paying Agent, the Principal Paying Agent or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC participants on the Business Day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book- Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Taxation

Certain United States federal income tax considerations

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "U.S. CODE"); (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under "—Foreign Account Tax Compliance Act"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Code, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that hold Notes through non-U.S. brokers or other non- U.S. intermediaries and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the U.S. Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Foreign tax credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non- corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax return disclosure requirements

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds, generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a financial institution. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the U.S. Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2016 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed, generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Company is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

Certain United Kingdom tax considerations

The following applies only to the position of persons who are the absolute beneficial owners of Notes and is a summary of current United Kingdom law and published HM Revenue & Customs (HMRC) practice (which may

not be binding on HMRC) relating only to the United Kingdom withholding tax treatment of payments of interest and premium on the Notes and stamp taxes in respect of the Notes. This summary does not deal with other United Kingdom tax consequences of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective noteholders depends on their individual circumstances and may be subject to change in the future.

This description does not purport to constitute legal or tax advice and any prospective noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognized stock exchange. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Euro MTF Market in accordance with the rules of the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on the Notes is paid to a company that is the beneficial owner and, at the time the payment is made, the Company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a noteholder, HMRC can issue a direction to the Company to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty).

Any premium payable on redemption may be treated as a payment of interest for United Kingdom tax purposes and may accordingly be subject to the withholding tax treatment described above.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. Such payments by a Guarantor may not, however, be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

Further United Kingdom tax issues

Interest on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and may be subject to United Kingdom income tax or corporation tax by direct assessment even where paid without withholding or deduction. Accordingly, and subject to certain exceptions applying to various categories of investors (including, in particular, exceptions applying to persons not resident in the United Kingdom), investors may be subject to United Kingdom tax by direct assessment on such payments of interest even when paid without withholding.

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest or the amount payable on the redemption of Notes, as applicable) from any person in the United Kingdom by or through whom interest is paid or credited or by or through whom amounts payable on the redemption of the Notes which constitute "deeply discounted securities" (as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005) are paid or credited, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before April 5, 2015. The details provided to HMRC may, in certain cases, be passed on to the tax authorities of the jurisdiction in which the noteholder is resident for taxation purposes.

The references to “interest” above are to “interest” as understood for the purposes of United Kingdom tax law. They do not take into account any different definition of “interest” that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax should be payable on the issue or transfer of the Notes.

Certain European Union tax considerations

Prospective holders of Notes should consult their own tax advisers concerning the consequences, in their particular circumstances, under European Union directives and other measures, and under the laws of any other taxing jurisdiction, of the ownership of or any dealing in the Notes. Any such dealing would need to comply with the selling restrictions and securities laws generally.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the Directive), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). However, during that transitional period, withholding will not apply under the Directive to a payment if the beneficial owner of that payment authorizes exchange of information instead.

A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system, in the case of Switzerland).

In March 2014, the Council formally approved a Council Directive broadening the scope of the requirements described above including establishing procedures to look through entities to prevent the circumvention of the Directive by the use of intermediaries. Member States have until January 1, 2016 to adopt the Directive.

In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than a repayment of amounts subscribed for the Notes) it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

The Proposed Financial Transactions tax (“FTT”)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under the current proposal, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State. The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Certain Australian tax considerations

Prospective holders of Notes should consult their own tax advisers concerning the consequences, in their particular circumstances, under Australian tax laws, and under the laws of any other taxing jurisdiction, of the ownership of or any dealing in the Notes. Any such dealing would need to comply with the selling restrictions and securities laws generally.

Interest withholding tax

The Company does not intend to issue Notes as agent of any Australian resident entities or in respect of any permanent establishments in Australia. It is intended that no interest is to be paid from Australia on the Notes. On that basis Australian interest withholding tax ("**IWT**") should not be payable on the interest paid by the Company.

It is unclear whether payments under the guarantee by the Australian guarantor constitute payments of interest so defined, but the better view is that such payments are not payments of interest or amounts in the nature of interest and, as such, no IWT should be payable in respect of such payments. The Commissioner of Taxation in Australia has issued a view that such payments may be interest for IWT purposes. If the guarantee payments are treated as interest for IWT purposes, a rate of 10% IWT should apply.

Income tax

Payment of principal and interest to a Noteholder who is a non-Australian resident and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Offshore Holders**"), will not be subject to Australian income taxes. Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Australian Holders**") will be assessable for Australian tax purposes on income either received or accrued due to them in respect of the Notes. Whether income will be recognized on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the terms and conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia, which vary depending on the country in which that permanent establishment is located.

Gains on disposal or redemption of Notes

Offshore Holders will not be subject to Australian income tax on gains realized during that year on the sale or redemption of the Notes provided such gains do not have an Australian source or if the non-Australian resident is a resident of a country with which Australia has entered into a double tax treaty. A gain arising on the sale of Notes by a non-Australian resident holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed outside Australia, would not generally be regarded as having an Australian source.

Deemed interest

There are specific rules that can apply to treat a portion of the purchase price of Notes as interest for IWT purposes when certain Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian Holder. If the Notes are not issued at a discount and do not have a maturity premium then these rules should not apply to the Notes.

Stamp duty and other taxes

No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes. Neither the issue nor receipt of the Notes will give rise to a liability for goods and services tax ("**GST**") in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by the Company, nor the disposal or redemption of the Notes, would give rise to any GST liability in Australia.

Taxation of foreign exchange gains and losses

Division 775 and 960 of the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the "**Australian Tax Act**") contain rules to deal with the taxation consequences of foreign exchange transactions. The rules are complex and may apply to any Noteholders who are Australian residents or non-Australian residents that hold Notes that are not denominated in Australian dollars, subject to exclusions from gains on disposal or redemption of Notes. Any such Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of those Notes.

Taxation of financial arrangements ("TOFA")

Division 230 of the Australian Tax Act contains a new code for the tax- timing and character treatment of gains and losses in relation to financial arrangements. The TOFA rules are a new regime for the taxation of financial arrangements. The new regime contains a number of different methods for bringing to account for tax purposes gains and losses in relation to "financial arrangements". These rules may affect the time at which any Australian tax is applied in respect of the Notes.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") dated April 3, 2014 by and among the Company, the Guarantors and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in the aggregate principal amount of $650 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date hereof, we will not, and the Guarantors will not, without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or any of the Guarantors and having a tenor of more than one year (other than the Notes and Guarantees).

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "Notice to investors."

Each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "Notice to investors."

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market, however, we cannot assure you that the listing of the Notes will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk factors—Risks relating to the Notes and our structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be three business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes.

In connection with the offering, J.P. Morgan (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Affiliates of each of the Initial Purchasers are lenders (and in the case of BNP Paribas, agents) under our RBL Facilities and/or Corporate Facility, the former of which is being partially repaid with proceeds of this offering. An affiliate of BNP Paribas Securities Corp., one of the Initial Purchasers, has provided ratings advisory services to us in connection with this offering. Certain of the Initial Purchasers and/or their affiliates have entered and may from time to time enter into hedging arrangements with us and our affiliates, act as our equity brokers and are advising us, or have advised us, on the sale of our Non-Core Assets. In addition, the former vice chairman of the Global Energy Group at J.P. Morgan, one of the Initial Purchasers, became one of our non-executive directors in October 2013 and continues to serve as a senior adviser to the firm.

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We have not registered and will not register the Notes or the Note Guarantees under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and

- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:

(a) a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of us, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(7) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, it shall promptly notify the initial purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of distribution."

Legal matters

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state and English law. Certain legal matters will be passed upon for the Initial Purchasers by Vinson & Elkins L.L.P. with respect to matters of U.S. federal, New York state and English law. Vinson & Elkins L.L.P. represents us from time to time in matters unrelated to this offering.

Independent accountants

Our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 included in this Offering Memorandum have been audited by Deloitte LLP, independent auditors, as stated in their report appearing herein.

Independent petroleum engineers

Estimates of our gas and oil commercial reserves and contingent resources as of December 31, 2011, 2012 and 2013 included in this Offering Memorandum were based in part upon a reserve report prepared by independent petroleum engineers, ERC Equipoise Limited. We have included these estimates in reliance on the authority of such firm as an expert in such matters.

Available information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, unless we are then subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Tullow Oil plc, Investor Relations, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom, care of Chris Perry.

We are not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. We are a listed company on the Official List of the London Stock Exchange and while we remain listed on the Official List of the London Stock Exchange, we must comply with the reporting requirements established by the Companies Act 2006, as amended, and the Disclosure & Transparency Rules of the United Kingdom Listing Authority. In addition to our ongoing reporting obligations under these regulations, we must send the United Kingdom Listing Authority our preliminary annual results and our annual financial report. We must also send our semi-annual financial reports, along with interim management statements. Pursuant to the Indenture, we will agree to furnish periodic information to the holders of the Notes. See "Description of Notes—Certain covenants—Reports."

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Luxembourg Listing Agent.

Service of process and enforcement of civil liabilities

We are incorporated under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands.

Most of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, us or the Guarantors or to enforce against them, us or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, we and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands upon those persons, us or the Guarantors provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and any relevant rules of court applicable in such jurisdictions are complied with.

There is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action or an action to enforce judgments of U.S. federal or state courts in England and Wales, Australia, Gabon, Isle of Man, Jersey and the Netherlands. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based on United States federal or state securities laws, may not be recognized in such jurisdictions.

Certain insolvency law considerations

The following is a brief description of certain insolvency law considerations in the jurisdictions in which Note Guarantees are initially being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes or the Note Guarantees. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Note Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "Risk factors—Risks relating to the Notes and our structure—The insolvency laws of Australia, Gabon, Isle of Man, Jersey and the Netherlands may not be as favorable to you as insolvency laws of jurisdictions with which you may be familiar and may preclude noteholders from recovering payments due on the Notes."

England and Wales

The Company and a Note Guarantor are companies incorporated under the laws of England and Wales (the "**English Obligors**"). Therefore, any insolvency proceedings by or against the English Obligors would likely be based on English insolvency laws. However, pursuant to the EC Regulation No. 1346/2000 on Insolvency Proceedings ("**EC Regulation on Insolvency Proceedings**"), where a company incorporated under English law has its "centre of main interests" in a Member State of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the Member State in which its centre of main interest is located and be subject to the laws of that Member State. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross- Border Insolvency in the United Kingdom, provide that a foreign (i.e. non-European) court may have jurisdiction where any English company has a centre of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

Administration

The English insolvency statutes empower English courts to make an administration order in respect of an English company or a company with its center of main interest in England. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. An English company, the directors of such company or the holder of a qualifying floating charge, where the floating charge has become enforceable, may also appoint an administrator out of court. The purpose of an administration is comprised of three parts that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferential creditors.

The rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the commencement, institution or continuation of legal process (including legal proceedings, execution, distress or diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if either the Company or any Guarantor incorporated in England were to enter into administration, the Notes and the Guarantees could not be enforced while the relevant company was in administration, without the permission of the court or consent of the administrator. There can be no assurance that the Trustee would obtain this permission of the court or consent of the administrator.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

However, the general prohibition against enforcement by secured creditors without consent of the administrator or permission of the court, and the administrator's powers with respect to property subject to a floating charge, do not apply to any security interest created or arising under a financial collateral arrangement within the meaning of the Financial Collateral Agreements (No. 2) Regulations 2003 (SI 2003/3226) (U.K.). A financial collateral arrangement includes (subject to certain other conditions) a security interest over shares in a company, where both the collateral provider and collateral taker are non-natural persons.

Administrative receivership

The holder of a qualifying floating charge that has been created since September 15, 2003 over all or substantially all of the assets of an English company can generally no longer appoint an administrative receiver of that company. There is an exception to this rule that applied to certain capital markets transactions that are expected to incur at least £50 million of debt.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. There are two forms of winding up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company. The primary ground for the compulsory winding up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary winding up (other than as an exit from administration) is effected by a resolution of the members, not the creditors, but once in place operates under the control of the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a creditors' voluntary winding-up. In a compulsory winding- up, under Section 127 of the Insolvency Act, if a company is in liquidation, any disposition of the company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. When an order is made for the winding up of a company by the court, it is deemed (by Section 129 of the Insolvency Act) to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding up—it is for the liquidator to apply for a stay.

Avoidance of transactions

Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a transaction entered into by such company, if such company was unable to pay its debts (as defined in Section 123 of the Insolvency Act) at the time of, or as a result of, the transaction and enters into liquidation or administration proceedings within two years of the completion of the transaction. A transaction might be subject to a challenge if it was entered into by a company "at an undervalue", that is, it involved a gift by the company or the company received consideration of less value than the benefit given by such company. However, a court generally will not intervene if a company entered into the transaction in good faith for the purpose of carrying on its business and at the time it did so there were reasonable grounds for believing the transaction would benefit such company. We believe that the Notes will not be issued on terms which would amount to a transaction at an undervalue, that this Offering is in good faith for the purposes of carrying on our business and that there are reasonable grounds for believing that the transaction will benefit us. However, there can be no assurance that the issuance of the Notes will not be challenged by a liquidator or administrator or that a court would support our analysis.

Similarly, a liquidator or administrator of any Guarantor incorporated in England could apply to the court to unwind the issue of its Guarantee if such liquidator or administrator believed that the issue of such Guarantee constituted a transaction at an undervalue. The analysis of such a claim would generally be the same as set out above in relation to our issue of the Notes. We believe that each Guarantee will not be provided in a transaction at an undervalue and that each Guarantee will be provided in good faith for the purposes of carrying on the business of each Guarantor incorporated in England and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit each such Guarantor. However, there can be no assurance that the provision of the Guarantees will not be challenged by a liquidator or administrator or that a court would support our analysis.

If the liquidator or administrator can show that the Company or one of the Guarantors has given "preference" to any person within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person") and, at the time of the preference, the Company or that Guarantor was unable to pay its debts at the time of, or as a result of, the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by the

Company or any of the Guarantors during the relevant period prior to the Company's or Guarantor's liquidation or administration.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction.

A liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be profitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the Company that may be detrimental to creditors. However, this power does not apply to an executed contract, nor can it disturb accrued rights and liabilities.

Any interest accruing under or in respect of the Notes for any period from the date of commencement of administration or liquidation proceedings, to the extent not fully covered by the assets securing the Notes, could be recovered by Noteholders only from any surplus remaining after payment of all other debts provided in the proceeding and interest accrued that was unpaid up to the date of the commencement of the proceeding.

Under English insolvency law, certain preferential claims, including unpaid contributions to occupational pension schemes and unpaid employees' remuneration in respect of the four-month period prior to the date of insolvency, in addition to the prescribed percentage of the asset realizations, up to a maximum amount of £600,000 (as described above), will rank behind the claims of holders of fixed security and ahead of floating charge holders.

Under English insolvency law any debt of a company payable in a currency other than pounds sterling (such as dollars in the case of the Notes) must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event the Company's or Guarantor's liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Australia

Under Australian insolvency laws, the following types of proceedings (together referred to in this section as insolvency proceedings) may be commenced against a Guarantor incorporated under the laws of Australia (the "**Australian Guarantor**"):

Administration

In circumstances of insolvency or near-insolvency, an administrator may be appointed. The primary objective of the administration regime is to shift control of an insolvent or near insolvent company out of the hands of directors to an independent administrator, who is then given, via a short statutory moratorium, time to assess whether the company can and should be salvaged or should be put into liquidation.

The moratorium period runs for the length of the administration, the length of which may vary. This does not prevent the holder of a security interest over the whole, or substantially the whole, of a company's property enforcing its security interest during the decision period of 13 business days following the administrator's appointment. The holder of such a security interest may in these circumstances appoint a receiver in relation to the relevant assets of the company.

Only the following persons can appoint an administrator to a company:

- the company, through its directors, if they resolve that the company is insolvent or is likely to become insolvent at some future time;

- a secured creditor entitled to enforce a charge over the whole or substantially the whole of the property of the company, if the charge has become enforceable and the company is not already in winding up; and

- a liquidator or provisional liquidator, if the liquidator or provisional liquidator believes that the company is insolvent or is likely to become insolvent at some future time.

The appointment of an administrator vests control of the company's assets, business, property and affairs in the administrator, who acts as the company's agent. The directors' and other officers' powers are suspended (although they must assist the administrator). An administrator has the power to control the company's business, property and affairs, carry on its business and do other things, to the exclusion of the directors and shareholders.

The administrator must convene (and preside over) at least two creditors' meetings within set time frames (subject to extension by the court). In the ordinary course the administration will end in one of three outcomes, as decided by resolution of creditors at the second, or main, creditors' meeting:

- a deed of company arrangement is executed between the administrator and the company, setting out arrangements agreed between the creditors, the company and other stakeholders with a view to salvaging the company and maximizing returns to creditors;

- the company is wound up, which leads automatically to a creditors' voluntary winding up (discussed further in—"Liquidation" below), meaning that the winding up will be under the control of the creditors subject to supervision by the court (and the administrator would normally become the liquidator); or

- the administration otherwise comes to an end (for example, because the company is solvent or has been restored to solvency), in which case control of the company and its assets would revert to the directors.

Liquidation

The objective of a liquidation is that the company's assets be liquidated and distributed among creditors and shareholders according to statutory priority rules, and the company's existence be brought to an end by deregistration.

Liquidations can be initiated by:

- a members' voluntary winding up, by resolution of the shareholders in a solvent situation. For this, the directors are required to file a declaration of solvency with the Australian Securities and Investments Commission, subject to sanctions if false or made without reasonable grounds;

- a creditors' voluntary winding up, by resolution of the creditors, in an insolvent situation. This allows the creditors (as opposed to the court) to control the process, including the appointment of a nominated person as liquidator; and

- court-ordered, that is (a) a compulsory winding up, for insolvency, by order of the court on the application of the company, a creditor, a director, a shareholder, a receiver, Australian Securities and Investments Commission and certain other persons; or (b) winding up at the request of a range of interested persons on a number of other grounds.

The appointment of a liquidator does not affect the rights of secured creditors to appoint a receiver or otherwise enforce against the secured property during the liquidation. Whatever is left (if anything) after secured assets are realized and secured creditors paid in full comes under the control of the liquidator who distributes among unsecured creditors.

The liquidator's primary objective is to maximize the pool of cash available for distribution to unsecured creditors, and therefore liquidators may take actions such as challenging the validity of security interests (since secured assets are not otherwise available to the liquidator) and setting aside other "voidable" transactions (discussed further in—"Voidable transactions" below).

Upon appointment of a liquidator, the powers to manage the affairs of the company are transferred from the directors (and shareholders) to the liquidator.

Receivership

If the Australian Guarantor were to grant security over its assets in favor of a creditor, a receiver may be appointed by such secured creditor over specific assets or over the whole business of the company, depending on the terms of the security. The primary objective is to take possession and control of secured asset(s) away from the directors and use them to repay the relevant secured creditor. On the Issue Date, claims of the Noteholders are unsecured, and so they have no right to appoint a receiver.

Timing

It is difficult to provide certainty in relation to the timeframes for insolvency proceedings. Timing will depend on the nature of the goals of the interested parties, the ability to realize the assets of the company and whether any enforcement is contested.

Voidable transactions

Certain transactions (referred to as voidable transactions) may, by order of the court, be set aside or modified on application of a liquidator of an Australian company. The transactions must have been entered into, or an act must have been done for the purpose of giving effect to it, within certain time periods before the commencement of the insolvency process.

Insolvent transactions

A transaction will be an insolvent transaction if it is an unfair preference given by an Australian company or an uncommercial transaction of an Australian company where at the time of entering into the transaction the company is insolvent or where the company becomes insolvent because of entering into the transaction.

A transaction is an unfair preference if it is a transaction to which an Australian company and a creditor are parties and which results in the creditor receiving a larger return in respect of an unsecured debt claim than it would have received in respect of such debt claim if the transaction were set aside and the creditor were to prove the debt in the winding up of the company.

A transaction is an uncommercial transaction of an Australian company if it may be expected that a reasonable person in the circumstances of the company would not have entered into the transaction having regard to the benefit for the company, the detriment to the company in entering into the transaction, the respective benefits to other parties to the transaction of entering into it and other relevant matters.

A court cannot make an order in respect of an unfair preference or an uncommercial transaction which materially prejudices a right or interest of a person if it is proved that:

- the person became a party to the transaction in good faith;

- at the time when the person became a party to the transaction (i) the person had no reasonable grounds for suspecting that the company was insolvent at that time or would become insolvent because of entering into the transaction or a person doing an act or making an omission, for the purpose of giving effect to the transaction; and (ii) a reasonable person in such person's circumstances would have no grounds for so suspecting; and

- the person provided valuable consideration under the transaction or changed its position in reliance on the transaction.

Unreasonable director-related transactions

A payment made by an Australian company, conveyance, transfer or other disposition of property of an Australian company, issue of securities by an Australian company or incurrence of an obligation (including a contingent obligation) to make such a payment, disposition or issue is an unreasonable director-related transaction of the company if:

- the payment, disposition or issue is, or is to be made, to a director of the company, close associate of a director of the company or a person on behalf of, or for the benefit of, either of such persons; and

- it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to:

  (i) the benefits to the company of entering into the transaction;

  (ii) the detriment to the company of enter into the transaction;

  (iii) the respective benefits to other parties to the transaction of entering into it; and

  (iv) any other relevant matter.

Transactions made after winding up or administration commences

There are provisions which render void any disposition of property of an Australian company effected after the commencement of its winding up by an Australian court. These provisions do not apply to exempt dispositions, which include dispositions by a liquidator, an administrator or a payment on or prior to the date of the winding up order by an Australian bank in good faith and in the ordinary course of banking business.

There are also provisions which render void a transaction or dealing purported to be entered into by an Australian company under administration unless entered into, or consented to, by the administrator or entered into under an order of a court.

Priority

In certain circumstances, the following claims may rank in priority (either in whole or in part) to an Australian company's other creditors:

- claims for the costs of administration and realization;

- certain claims arising by operation of law or specifically charged by statute (including, without limitation, local government rates and land tax); and

- certain claims in relation to unpaid audit fees, unpaid wages, superannuation, accrued holiday pay and long service leave and compensation for injuries.

Mandatory insolvency set-off

Under the Corporations Act 2001 of Australia, there is a mandatory and self- executing set-off for mutual dealings between an insolvent company and its creditors. Section 553C of the Corporations Act provides for an automatic set off on the liquidation of a corporation for mutual debts. This may have the effect of giving priority to an unsecured creditor who is able to set off a debt against the insolvent corporation rather than having to pay its debt and prove for the amount owing to it in the insolvent estate of the debtor.

Australian guarantee limitations

The Indenture will provide that the Australian Guarantor acknowledges that it is the intention of all parties to the Indenture that its Guarantee not constitute a fraudulent transfer or conveyance for the purposes of any bankruptcy law or any similar law, or voidable preference, financial assistance or improper corporate benefit, or violate the corporate purpose of the Australian Guarantor or any applicable capital maintenance or similar laws or regulations affecting the rights of creditors generally under any applicable law or regulation. To give effect to this intention, the parties to the Indenture will agree that the obligations of the Australian Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Australian Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under the Guarantee result in the obligations of such Guarantee not constituting either a fraudulent transfer or conveyance or voidable preference, financial assistance or improper corporate benefit, or violating the corporate purpose of the Australian Guarantor or any applicable capital maintenance or similar laws or regulations affecting the rights of creditors generally under any applicable law or regulation.

Gabon

The three steps discussed below are applicable to corporate insolvency proceedings against a Gabonese company under the OHADA Uniform Act on collective proceedings of April 10, 1998, (the "**Insolvency Uniform Act**") to the extent that it has its registered office or its main interest in Gabon.

Preventive settlement (règlement préventif)

The preventive settlement, as set out under article 2 of the Insolvency Uniform Act, is a proceeding designed to prevent a debtor company's insolvency or the cessation of activities of such company, and to permit the clearing of its debts by way of a composition agreement *(concordat préventif)*. In this proceeding, the competent court is petitioned by a debtor who states his economic and financial situation and presents the prospects for the redress of the company. After the submission of the composition agreement, the court issues a decision suspending any individual proceedings, including provisional measures and enforcement measures that may already have been initiated by creditors against the debtor, and also prohibits any new individual proceedings. The judge also then appoints an expert who assesses the debtor's financial situation and reports to the judge. Where the debtor provides a serious composition agreement, the court has the authority to approve the composition agreement and issue a decision of preventive settlement. Alternatively, if the court establishes the cessation of payment, it must pronounce a court supervised administration or the liquidation of assets of the debtor as explained below.

Court supervised administration (redressement judiciaire)

A court supervised administration is a proceeding designed to save the debtor company and to clear its debts by way of a composition with creditors (*concordat de redressement*). This proceeding is aimed at debtors who are unable to meet their liabilities with their available assets. When such a judgment is pronounced, it results in the continuation of the debtor's business activities, with assistance from an administrator, the suspension and prohibition of any individual proceedings, the declaration and verification of claims and the ratification or approval of a composition proposal. This is then followed by the payment of creditors and the continuation of the debtor's business activities. If the court does not approve the composition proposal or if the composition is cancelled due to the failure of the debtor to honor its commitments, the court then has the authority to convert the court supervised administration into a procedure whereby assets are liquidated.

Liquidation of assets (liquidation des biens)

The liquidation of assets is a procedure for the purpose of disposing of the debtor company's assets to clear its debts. A judge would order liquidation when it appears that the debtor has not made a serious proposal for reorganization that would allow for its creditor's financial recovery and the clearing of its liabilities. When such a judgment is pronounced, it results in the removal of the debtor from the administration and the disposition of the company's assets, declaration and verification of creditor's claims, winding-up of the debtor company, disposition of its assets or sale of its business and payment of claims.

Other

The court supervised administration and the liquidation of assets may be initiated at the request of the debtor, a creditor or the competent court on the basis of information provided by the public prosecutor, the company's auditor or shareholders.

A judgment resulting in the initiation of insolvency proceedings (the bankruptcy order) rendered by a Gabonese court has the effect of forming either a single body of creditors (*la masse des créanciers*) which is represented by an insolvency receiver (*syndic*) for court supervised administration or a collective body (*état d'union*) in respect of liquidation of assets.

The Insolvency Uniform Act provides that the judgment resulting in the initiation of insolvency proceedings suspends and prohibits any individual proceedings against the company as well as any payment of creditors. Such suspension is also applicable to secured creditors. In addition, the opening judgment shall have the effect of suspending the accrual of legal and contractual interests and interest on overdue payments.

Any acts carried out by the debtor during the pre-bankruptcy handling period (*période suspecte*) starting from the date of the cessation of payments up to the date of the judgment are not effective against third-parties. The period of cessation of payments must be within 18 months of the court's decision.

The period of cessation of payments does not result in automatic termination of ongoing contracts except for *intuitu personae* contracts. Only the insolvency receiver is entitled to require the execution of any ongoing contracts subject to the provision by the other party of the services promised. If the contract is bilateral (*synallagmatique*) and if the insolvency receiver has not provided the promised service, the other party is entitled to raise the *exception non adimpleti* principle.

For the realization of the debtor company's assets, only the insolvency receiver is entitled to undertake the sale of the company's assets, the collection and the settlement of debts. The amount arising from the sales and the collections are immediately deposited in a special banking account. A judge would then order creditors to share this amount. In this respect and in the event of liquidation of the company, creditors are paid in accordance with Article 225 (immovable) and Article 226 (movable) of the Uniform Act on Security.

The creditors' ranking is as follows in respect of immovable properties:

- First, the creditors owed legal costs incurred in the process leading to the sale of the property and in the actual distribution of the assets;

- Second, the creditors of highly preferred wages;

- Third, the creditors having a mortgage and individual creditors registered within the legal deadline, each according to the rank of his registration in the land register;

- Fourth, the creditors with a general lien requiring registration and following their ranking at the registry of commerce;
- Fifth, the creditors with a general lien not requiring registration; and
- Sixth, the unsecured creditors.

The creditors' ranking is as follows in respect of movable properties:

- First, the creditors owed legal costs incurred in the process leading to the sale of the property and in the actual distribution of the assets;
- Second, the creditors who incurred the cost in conserving the debtor's property in the interest of the creditor with older debts;
- Third, the creditors of highly preferred wages;
- Fourth, the creditors guaranteed by a general lien subject to registration or a pledge;
- Fifth, the creditors with a special personal property lien;
- Sixth, the creditors with a general lien not requiring registration; and
- Seventh, the unsecured creditors.

Gabon guarantee limitations

The Indenture will provide that nothing in the Indenture shall be construed to create upon the Gabon Guarantor more onerous obligations than those of the Company as principal debtor.

Unless otherwise agreed in writing, nothing in the Indenture shall be construed to increase the Gabon Guarantor's obligations to an amount exceeding the maximum amount guaranteed as expressly agreed by the Gabon Guarantor in words and in figures. Where the two differ, the guarantee shall be good for the amount in words.

The guarantee is valid only if the principal debtor's obligations have been validly established.

The Gabon Guarantor may invoke against the creditors (i.e. the Trustee and the holders of the Notes) the exceptions inherent in the obligations belonging to the principal debtor, which tend to reduce, extinguish or defer the principal debtor's obligations.

Notwithstanding any clause in the Indenture to the contrary, shortening of the term of the principal debtor's obligations shall not automatically extend to the Gabon Guarantor, which shall only be required to pay on the due date determined at the time when the guarantee was provided.

If the creditors fail to inform the Gabon Guarantor of any payment default within one month following a formal notice of payment addressed to the principal debtor, the Gabon Guarantor cannot be required to pay any penalties or default interests accrued between the date of the default and the date on which the Gabon Guarantor is informed.

Jersey

Insolvency

There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding-up.

The principal type of insolvency procedure available to creditors under Jersey law is an application for an Act of the Royal Court of Jersey (the "**Royal Court**") under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be *en désastre* (a declaration). On a declaration of désastre, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Jersey Viscount**"). With effect from the date of declaration, an unsecured creditor has no remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt, but may prove in the désastre.

Additionally, the shareholders of a company (but not its creditors) can instigate a winding-up of an insolvent company which is known as a creditors' winding up pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is appointed, and the creditors may determine who should be appointed. The liquidators will stand in the shoes of the directors and administer the winding up, gather in assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (inter alia) three quarters in number and value of the creditors acceded to the arrangement.

Administrators, receivers and statutory and non-statutory requests for assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the United Nations Commission on International Trade Law ("**UNCITRAL**") model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If (i) a request comes from a prescribed country but not by a court of such country or (ii) from a non-prescribed country, then the application will be considered by the Royal Court by virtue of its inherent jurisdiction having regard to principles of comity. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principals of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles as Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Council Regulation 1346/2000. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Council Regulation 1346/2000 does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Transactions at an undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared *en désastre*) or liquidator (in the case of a creditors' winding up), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the determination of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent unless a beneficiary of the transaction was a connected person or associate of the Company, in which case there is a presumption of insolvency and the connected person must demonstrate the Jersey company was not insolvent when it entered the transaction in such proceedings.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a twelve-month look- back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the determination of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company. A transaction will constitute a preference if it has the effect of putting a creditor of the Jersey company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into an insolvent winding up) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given (although there is protection for a third-party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the preference the Jersey company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that the company was not influenced by such a desire.

Extortionate credit transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared *en désastre*) or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Disclaimer of onerous property

Under Article 15 of the Jersey Bankruptcy Law, the Jersey Viscount may within six months following the date of the declaration of *désastre* and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. Onerous property is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "shall not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage in consequence of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and may prove for the same in the *désastre* or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the powers of the court in respect of disclaimed property.

Jersey guarantee limitations

The Indenture will provide that any right which at any time any guarantor incorporated under the laws of Jersey (a "**Jersey Guarantor**") has under the existing or future laws of Jersey whether by virtue of the *droit de discussion* or otherwise to require that recourse be had to the assets of any other person before any claim is enforced against such guarantor in respect of its obligations under the Indenture will be irrevocably and unconditionally abandoned and waived.

Each Jersey Guarantor will undertake in the Indenture that if at any time any person indemnified or having the benefit of a guarantee under the Indenture sues such guarantor in respect of any such obligations and the person in respect of whose obligations the indemnity or guarantee is given is not sued also, such guarantor shall not claim that such person be made a party to the proceedings and each Jersey Guarantor will agree to be bound by its indemnity or guarantee whether or not it is made a party to legal proceedings for the recovery of the amount due or owing to the person indemnified or having the benefit of a guarantee, as aforesaid, by the person in respect of whose obligations the indemnity or guarantee is given and whether the formalities required by any law of Jersey whether existing or future in regard to the rights or obligations of sureties shall or shall not have been observed.

The Indenture will also provide that any right which each Jersey Guarantor may have under the existing or future laws of Jersey whether by virtue of the *droit de division* or otherwise to require that any liability under the Indenture be divided or apportioned with any other person or reduced in any manner whatsoever will be irrevocably and unconditionally abandoned and waived.

The Netherlands

Tullow Exploration & Production Netherlands B.V. (the "**Dutch Guarantor**") is incorporated under Dutch law and currently has its "center of main interests" (as such term is used in the EU Insolvency Regulation) in the Netherlands. Consequently, in the event of its insolvency, insolvency proceedings with respect to it may be initiated under, and be governed by, Dutch insolvency law. The insolvency laws of the Netherlands and, in particular, the provisions of the Dutch Bankruptcy Act (*Faillissementswet*) may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest or to effect a restructuring, and the duration of the insolvency proceedings, and may limit the ability of Noteholders to enforce the terms of the Guarantee granted by the Dutch Guarantor. Thus, your ability to recover payments due on the Notes may be more limited than it might have been under the laws of other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of the insolvency laws of the Netherlands. There are two primary insolvency regimes under Dutch law: the first, moratorium of payment (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is designed to liquidate and distribute the assets of a debtor to its creditors. Creditors will solely by reason of a guarantee granted by a Dutch company not qualify as secured creditors under Dutch bankruptcy law.

Moratorium of payment

An application for a moratorium of payment can only be made by the debtor itself if it foresees its inability to continue to pay its debts as they fall due. Once the application is filed, the Dutch court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). The debtor is only entitled to administer and dispose of its assets with the consent of the administrator. A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp-akkoord*) is filed simultaneously with the application for moratorium of payments, the Dutch court can order that the composition will be processed before a decision on a definitive moratorium. If the composition is accepted and subsequently ratified (*gehomologeerd*) by the Dutch court, the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent or if there is no prospect that the debtor will in the future be able to pay its debts as they fall due (in which case the debtor will generally be declared bankrupt). The moratorium of payments only affects unsecured non-preferential creditors.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payment, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payment. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. This could reduce the potential recovery of a holder of Notes in Dutch moratorium of payment proceedings. However, the court may order a "cooling off period" (*afkoelingsperiode*) for a maximum period of four months during which, *inter alia*, enforcement actions by secured or preferential creditors are barred unless they benefit from certain eligible financial collateral arrangements. Also in a definitive moratorium of payment, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. Upon request by the debtor or the administrator, the court or supervisory judge (*rechter-commissaris*) if appointed, can decide to adopt the proposed but rejected composition as if it were approved if (i) three-fourths the number of the creditors represented, acknowledged and admitted at the creditors' meeting approved the composition and (ii) the rejection of the composition is caused by one or more creditors such that, taking all circumstances into consideration, especially the percentage of the claim that such creditor(s) would receive in case the estate is liquidated and distributed, such creditor(s) reasonably could not have voted against the composition. Consequently, a moratorium of payment could delay and reduce the recovery of a Noteholder. Interest payments that fall due on or after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Bankruptcy

At the request of the debtor itself, one or more of its creditors or, in case of public interest, the public prosecutor, the competent court may open bankruptcy proceedings in respect of a debtor that has ceased to pay its debts. Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on a *pari passu* basis and certain creditors (such as secured creditors and preferential creditors) will have special rights that may adversely affect the interests of holders of the Notes. During Dutch bankruptcy proceedings, secured creditors may, subject to certain limitations such as the above mentioned cooling off period, proceed against the assets that secure their claims to satisfy their claims. A recovery under Dutch law, therefore, could involve a sale of assets in a manner that does not reflect the going concern value of the debtor. This could reduce the potential recovery of a holder of Notes in Dutch bankruptcy proceedings.

The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of holders of the Notes which were not due and payable by their terms on the date of a bankruptcy and that mature more than one year after the opening of the bankruptcy of the Dutch Guarantor would be admissible only for their net present value. Each of these claims will have to be submitted to the receiver to be verified by the receiver in accordance with the applicable provisions of the Dutch Bankruptcy Act or, if concluded by the receiver, declared binding by the competent court and to the extent applicable, the collective settlement agreement within the meaning of the Dutch Act on Collective Settlement of Mass Claims (*Wet collectieve afwikkeling massaschade*). "Verification" under Dutch law means that the receiver verifies the value of the claim and whether and to what extent it may be admitted in the bankruptcy proceedings. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceedings may be based on the net present value analysis or the applicable collective settlement agreement. These procedures could cause holders of the notes to recover less than the nominal amount of their claim. Creditors that wish to dispute the valuation of their or other claims by the receiver may need to commence court proceedings. Such proceedings or proceedings for granting a collective settlement agreement binding effect could cause payments to the holders of Notes to be delayed compared with holders of undisputed claims or where no such agreement has been concluded. In a bankruptcy, a composition may be offered to the unsecured and non-preferential creditors unless the receiver concluded a collective settlement agreement which the receiver has requested the competent court to grant binding effect and provided it has not been finally determined that such request will not be granted. A composition in bankruptcy will be binding upon all unsecured and non-preferential creditors, if (i) it is approved by a simple majority of the meeting of the recognized and admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims and (ii) it is subsequently ratified (*gehomologeerd*) by the court. Interest payments that fall due on or after the date on which the bankruptcy proceedings are opened cannot be verified in the bankruptcy. The proceeds resulting from the liquidation of the bankrupt estate may not be available for distribution for several years and may be insufficient to satisfy unsecured creditors such as the Noteholders.

Actio Pauliana

Dutch law provides generally that certain transactions with a creditor entered into (or payments made voluntarily by) the debtor are subject to avoidance if both parties to the transaction (or the payor and payee) knew or should have known that the transaction or payment would prejudice other creditors. Such knowledge is presumed by law for all transactions performed within one year of the adjudication before bankruptcy or within one year before the date the claim of fraudulent conveyance is made, if it is also established that one of the statutory conditions is fulfilled. These conditions include, but are not limited to, situations in which the value of the obligation of the debtor materially exceeds the value of the obligation of the creditor, or the debtor pays or grants security for debts which are not yet due. Transactions that were entered into under a prior contractual obligation to do so, or payments made that were due and payable, could be avoided if (i) the benefiting party knew that the application for bankruptcy of the debtor was filed at the moment of payment or

(ii) the debtor and the payee engaged in this payment acting in concert in order to prejudice other creditors. Accordingly, if a court of competent jurisdiction were to find that the guaranteeing of the Notes met the foregoing criteria, the court could avoid the Guarantee provided all other applicable conditions are met. Upon such avoidance, the court could enter a judgment against holders of the Notes ordering them to return any amounts previously paid under the Guarantee. If the Guarantee were avoided, holders of the Notes would cease to have a direct claim against the Dutch Guarantor, but they would retain their rights against us and any other Guarantors, although no assurance can be given that our entities' respective assets would be sufficient to satisfy our obligations under the Notes in full.

Isle of Man

Winding up

An Isle of Man company can be wound up in one of three ways:

- by the court;
- voluntarily; or
- subject to supervision of the court.

Winding up by the court

The circumstances in which a company may be wound-up by the court include:

- where the company has by special resolution resolved that it should be wound-up by the court;
- where the company is unable to pay its debts (within the meaning of Section 163 of the Isle of Man Companies Act 1931 (as amended) (the "**1931 Act**")); or
- the court is of the opinion that it is just and equitable that the company should be wound-up.

An application to the court for the winding-up of a company must be made by way of a petition and may be made by the company, the Isle of Man Treasury, any creditor or any shareholder of the company.

Any disposition of the company's property and any transfer of shares or alteration in the status of the members of the company after commencement of the winding-up shall, unless the court otherwise orders, be void. In addition, once a winding-up order has been made, or a provisional liquidator has been appointed, no legal action may be continued or commenced against the company without leave of the court.

Voluntary winding up

The shareholders and creditors of a company have the power to appoint a liquidator to the company. Any transfer of shares, not being a transfer made to or with the sanction of the liquidator, and any alteration in the status of the members of the company, made after the commencement of a voluntary winding up, shall be void. In addition, there is no automatic stay on proceedings against the company, although a liquidator (or creditor or shareholder) may apply to the court for such a stay.

Winding up subject to the supervision of the court

In the event that a company has passed a resolution that it will be voluntarily wound-up, the court may order that the voluntary winding-up shall continue subject to the supervision of the court on such terms as the court sees fit.

Liquidation

A liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to an executed contract nor can it be used to disturb accrued rights and liabilities. The effect of liquidation is to bring the company's business to an end (except as far as it is needed to continue as part of the winding-up process), ensures that the assets of the company are used to pay off its debts and that creditors in the same class are treated equally.

If the liquidator can show that an Isle of Man Guarantor has given a preference to any person within four months ending with the commencement of a winding up of that company and, at the time of the preference, the Isle of Man Guarantor was unable to pay its debts within the meaning of Section 163 of the 1931 Act or became unable to pay its debts within the meaning of that section in consequence of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if such action had not been taken. The court will not make an order avoiding a preferential transaction unless it is satisfied that the preferential act was done or suffered to be done with the substantial or dominant view of giving that person a preference over other creditors. The foregoing may affect transactions entered into or payments made by an Isle of Man Guarantor during the relevant period prior to its liquidation. (Unlike the hardening provisions in the U.K. insolvency legislation, the relevant Isle of Man legislation does not recognize the concept of connected persons.)

Fraudulent transactions

By virtue of section 4 of the Isle of Man Fraudulent Assignments Act 1736, an assignment or disposition of property by a company entered into with a view to defrauding creditors is void and of no effect. This provision may be used at any time by a creditor whether or not the relevant company is in liquidation. The Isle of Man courts have held that transactions will only be void under the Fraudulent Assignments Act 1736 if there is an intention to defraud creditors and that it will be a question of fact in each case whether or not the transaction is *bona fide* or "a contrivance to defraud creditors." However a transaction will be void if it is entered into when the debtor is insolvent or with the intent to leave a debtor insolvent and unable to pay creditors. Transactions entered into on an arm's length basis are unlikely to constitute transactions which are capable of being avoided under this statute.

Preference

By virtue of the Isle of Man Preferential Payments Act 1908 (as amended) and the Isle of Man Recovery of Rents Act 1954, certain preferential debts are payable in a winding up of an Isle of Man company in priority to other creditors save for certain secured debts. Preferential debts include all debts due to the Crown or to any person on behalf of the Crown; national insurance contributions (up to 12 months); any sum in respect of occupational pension scheme contributions and state scheme premiums; remuneration of employees within the previous 8 weeks capped at £250 for every complete week; any amount owed by way of accrued holiday remuneration; arrears of rent arising in the previous 12 months; and all rates due and payable within the previous 12 months.

Other

Isle of Man law does not recognize the concept of an administrator or an administrative receiver, nor does it recognize transactions at an undervalue.

Isle of Man guarantee limitations

The Indenture will provide that any term or provision of the Indenture to the contrary notwithstanding, the maximum aggregate amount of the obligations guaranteed thereunder by any Guarantor incorporated under the laws of the Isle of Man shall not exceed the maximum amount that can be thereby guaranteed by the applicable Isle of Man Guarantor without rendering the guarantee, as it relates to such Isle of Man Guarantor, voidable under applicable laws relating to fraudulent assignment, fraudulent preference, improper corporate benefit or similar laws affecting the rights of creditors generally.

Listing and general information

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of such exchange shall so require, (i) copies of our articles of association and those of the Guarantors and the Indenture (which includes the Note Guarantees) will be available free of charge at the specified office of the Paying Agent in New York referred to in paragraph 5 below and (ii) copies of all of our annual and interim consolidated financial statements and those for all subsequent fiscal periods will be available free of charge during normal business hours on any weekday at the offices of our Paying Agent in New York referred to in paragraph 5 below.

3. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

4. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

5. We will have appointed Deutsche Bank Trust Company Americas as our Principal Paying Agent and Transfer Agent in New York. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or the Luxembourg Stock Exchange's website. Information on the Luxembourg Stock Exchange's website does not form part of this Offering Memorandum. The Paying Agent in New York will act as intermediary between the holders of the Notes and us so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market.

6. The Notes have been accepted for clearance through the facilities of DTC. The Rule 144A Global Notes have a CUSIP of 899415AC7 and the Regulation S Global Notes have a CUSIP of G91235AB0. The Rule 144A Global Notes have an ISIN of US899415AC75 and the Regulation S Global Notes have an ISIN of USG91235AB05. The Rule 144A Global Notes have a Common Code of 104276270 and the Regulation S Global Notes have a Common Code of 104276288.

7. The Company is incorporated as a public limited company under the laws of England and Wales with registered number 3919249. Both its registered office and its principal place of business are located at 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, United Kingdom and its telephone number is +44 20 3249 8801. The Company was incorporated on February 4, 2000.

8. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Company's financial condition since December 31, 2013, the date of its most recent consolidated financial statements.

9. The creation and the issuance of the Notes have been authorized by a resolution of the board of directors of the Company dated March 18, 2014.

10. The Note Guarantees will be full and unconditional subject to the legal limitations described in further detail in "Description of Notes—Note Guarantees".

11. The following is a brief description of the Guarantors that will guarantee the Notes from the date on which the Notes are issued:

Company	Jurisdiction	Registered Office	Field of Activity
Tullow Uganda Operations Pty Ltd.	Australia (State of Western Australia)	Level 3 46 Ord Street West Perth Western Australia 6005	Oil & Gas -- production and exploration
Tullow Oil SK Limited	England and Wales	9 Chiswick Park 566 Chiswick High Road London W4 5XT United Kingdom	Oil & Gas -- production and exploration
Tullow Oil SPE Limited	England and Wales	9 Chiswick Park 566 Chiswick High Road London W4 5XT United Kingdom	Oil & Gas -- production and exploration
Tullow Oil Gabon S.A.	Gabon	Rue Louise Charron-Fortin, Quartier Batterie IV Libreville BP: 9773—Gabon	Oil & Gas -- production and exploration
Tullow Congo Limited	Isle of Man	Falcon Cliff Palace Road Douglas Isle of Man IM2 4LB	Oil & Gas -- production and exploration
Tullow Equatorial Guinea Limited	Isle of Man	Falcon Cliff Palace Road Douglas Isle of Man IM2 4LB	Oil & Gas -- production and exploration
Tullow Uganda Limited	Isle of Man	Falcon Cliff Palace Road Douglas Isle of Man IM2 4LB	Oil & Gas -- production and exploration
Tullow Cote d'Ivoire Limited	Jersey	12 Castle Street, St Helier, Jersey JE2 3RT	Oil & Gas -- production and exploration
Tullow Ghana Limited	Jersey	12 Castle Street, St Helier, Jersey JE2 3RT	Oil & Gas -- production and exploration
Tullow Oil International Limited	Jersey	12 Castle Street, St Helier, Jersey JE2 3RT	Holding company
Tullow Exploration & Production Netherlands B.V.	The Netherlands	Tullow Exploration & Production Netherlands B.V. Scheveningseweg 58 2517 KW's-Gravenhage The Netherlands	Oil & Gas -- production and exploration

Glossary

"2C"	best estimate scenario of contingent resources. Pursuant to the classifications and definitions provided by the PRMS, 2C resources is that quantity of estimated contingent resources that in the "best estimate" scenario has a probability of at least 50% of equaling or exceeding the amounts actually recovered
"2P"	proved reserves plus probable reserves. Pursuant to the classifications and definitions provided by the PRMS, "proved reserves" is defined as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations and "probable reserves" is defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves
"3D seismic"	geophysical data that depicts the subsurface strata in three dimensions
"4D seismic"	geophysical data that involves comparing the results of 3D seismic surveys at different times in the life of an oil and/or gas field
"accumulation"	an individual body of moveable petroleum. A known accumulation (one determined to contain Reserves or Contingent Resources) must have been penetrated by a well
"API"	American Petroleum Institute
"appraisal well"	well drilled to assess characteristics (such as flow rate or volume) of a proven hydrocarbon accumulation
"Atlantic Margins"	a passive margin which lies within a plate at the boundary between continental and oceanic crust
"barrel" or "b" or "bbl"	a stock tank barrel, a standard measure of volume for oil, condensate and natural gas liquids, which equals 42 US gallons
"back-in rights"	a reversionary interest in a lease which allows a party to a specified share of the working interest when the assignee has recovered specified costs from production
"bcf"	billions of cubic feet
"bcpd"	barrels of condensate per day
"Block"	an area of licensed territory comprising one or more licenses
"boe"	barrels of oil equivalent
"boepd"	barrels of oil equivalent per day
"bopd"	barrels of oil per day
"Brent"	a particular type of crude oil that is a light, sweet oil produced in the North Sea with most of it being refined in Northwest Europe. Brent is a benchmark oil
"bwpd"	barrels of water per day
"burner tip"	the physical point at which natural gas is consumed
"CALM Buoy"	a Catenary Anchor Leg Mooring (CALM) buoy is a description of how the buoyed platform is anchored to the seabed. CALM Buoys can be used offshore in deep water to allow ships to offload or load liquid cargo (e.g., crude oil) without the need for a jetty extension into the deeper water
"crude oil"	unrefined oil
"commercial reserves"	those quantities of oil and gas anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
"contingent resources"	those quantities of oil and gas estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
"Dated Brent"	a cargo of Brent that has been assigned a date when it will be loaded onto a tanker
"exploration well"	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir
"farm-in"	to acquire an interest in a license from another party
"farm-down" or "farm-out"	to assign an interest in a license to another party
"field"	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
"formation"	a body of rock that is sufficiently distinctive and continuous that it can be mapped
"FPSO"	a floating production, storage and offloading vessel used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil
"FSO"	a floating storage and offloading vessel used only to store and offload oil (and not process it)
"FTG survey"	full tensor gradiometry gravity survey

"Full Tensor Gradiometry" .... a method of measuring the density of the subsurface to detect subsurface anomalies, which can then be used to more accurately locate oil, gas and mineral deposits

"hub-class commercial discovery" .... smaller oil and gas field discoveries within a region that, individually, would not be economically feasible to develop, but when aggregated reach a commercial development threshold

"hydrocarbons"............ compounds formed primarily from the elements hydrogen and carbon and existing in solid, liquid or gaseous forms

"ICE Brent" .... a futures contract for Brent based on delivery with an option to cash settle

"lifting"......................... the process of loading a tanker with oil

"mmbbl"....................... million barrels of oil

"mmboe"....................... million barrels of oil equivalent

"overlift"....................... oil lifted at a field by a commercial partner at the balance sheet date that exceeds such partner's working interest in such field

"play"............................ a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in an effort to define specific leads or prospects

"Petroleum Resources Management System" or "PRMS" .... definitions for the assessment, classification and categorization of hydrocarbon resources jointly set out by the Society of Petroleum Engineers (SPE), the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers (SPEE) in March 2007

"possible reserves"....... those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves

"probable reserves"..... those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves

"production" .... the cumulative quantity of oil and gas that has been recovered at a given date

"production sharing (contract) (agreement)" or "PSC"........................ contract by which the host government takes a share of production determined by the relevant cost recovery mechanism in the contract

"production well"......... a well drilled to obtain production from a proven oil or gas field. Production wells may be used either to extract hydrocarbons from a field or to inject water or gas into a reservoir to improve production

"prospect"..................... a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target

"proved reserves" .... are those quantities of oil and gas, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations

"reservoir".................... a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete oil and gas system

"seal"............................. a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete oil and gas system

"seismic survey"........... a method by which an image of the earth's subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form. See "3D seismic" and "4D seismic"

"single point mooring"................... a loading buoy anchored offshore that serves as a mooring point and interconnect for tankers loading or offloading gas or liquid products

"subsea manifold"........ a large metal piece of equipment, made up of pipes and valves and designed to transfer oil or gas from wellheads into a pipeline

"underlift" .... oil lifted at a field by a commercial partner at the balance sheet date that is less than its working interest in such field

"upstream" .... activities related to the exploration, appraisal, development and extraction of crude oil, condensate and gas

"wellhead" .... all connections, valves, nozzles, pressure gauges, thermometers, installed at the exits from a production well

"wildcat"....................... wells drilled outside of and not in the vicinity of known oil or gas fields

"workover"................... refers to any kind of oil well intervention involving invasive techniques, such as repairing lines and casing or removing sand build up

Index to financial statements

Note: The audited consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 have been extracted from our annual reports in such years. Certain page references in the financial statements are to the annual reports of that year and not to this Offering Memorandum. For the avoidance of doubt, our annual reports are not incorporated by reference into this Offering Memorandum or these financial statements.

Financial Statements
Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare 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 International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

- The strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face; and

- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Aidan Heavey
Chief Executive Officer
11 February 2014

Ian Springett
Chief Financial Officer
11 February 2014

Financial Statements
Independent Auditor's Report
to the members of Tullow Oil Plc

Opinion on financial statements of Tullow Oil Plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income and Expense, the Group and Company Balance Sheets, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Group Accounting Policies with related notes 1 to 32 and the Company Accounting Policies with related notes 1 to 11. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Corporate Governance Compliance Report on page 88 that the group is a going concern. We confirm that

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risks	How the scope of our audit responded to the risk
The assessment of the carrying value of: • intangible exploration and evaluation assets; and • non-current oil and gas assets	For exploration and evaluation assets we participated in meetings with key operational and finance staff at all key locations to understand the exploration and appraisal activities and gathered evidence including confirmations of on-going appraisal activity and the licence phase to assess the value of exploration and evaluation assets carried forward. Where an asset has been impaired we have challenged management on the events that led to the impairment. For non-current oil and gas assets we evaluated the assumptions and judgements used in management's review of the portfolio for indicators of impairment and the specific impairment tests resulting from that review, including specifically: future oil and gas prices, costs, production volumes, discount rates, economic cut-off and sensitivities.
The recoverability of other non-current assets, specifically	We considered the appropriateness of the assumptions and estimates made by management and described in Accounting Policy (af) in connection with the

the continued recognition of $358.1 million contingent consideration receivable as a result of the Uganda licence farm-down in 2012	likelihood and timing of recovery of the contingent consideration from the Uganda farm-down. We also reviewed the Memorandum of Understanding between the licence partners and the Government of Uganda.
The finalisation of fair values attributable to the identifiable assets, liabilities and contingent liabilities following the acquisition of Spring Energy Norway AS and the recognition of goodwill in relation to this transaction	We inspected, challenged, and corroborated by reference to third party information where available, evidence pertaining to each of the key assumptions described in note 9 in management's assessment, calculation and presentation of the fair values of the identifiable assets, liabilities and contingent liabilities acquired through the purchase of Spring Energy Norway AS.
The recognition and measurement of the group's exposure to various tax claims and assessments across its operating locations	We considered, together with tax specialists within the audit team, each of the material tax claims and assessments made against the group and the associated accounting treatment for each of these items, including the assessment of tax payable on the farm-down of licences in Uganda that completed in 2012. Our work included reviewing applicable third party tax and legal advice.
The recognition and measurement of decommissioning provisions	We have assessed the appropriateness of the assumptions used in the decommissioning calculation which are discussed in note 24 of the financial statements. In particular we obtained appropriate supporting evidence for the expected timing, related costs and discount rate applied to the calculation, including consideration of the 3rd party independent expert report prepared for management on the decommissioning cost estimates. We have benchmarked the assumptions used against available market information.

The Audit Committee's consideration of these risks is set out on page 91.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We determined materiality for the group to be $100 million, which is below 8.5% of normalised pre-tax profit and below 2% of equity. Pre-tax profit is normalised when determining materiality to exclude one off items that would significantly distort profit year on year.

We determined that both equity and pre-tax profit are appropriate bases for calculating materiality as shareholders place significant value on the Group's assets, particularly on its portfolio of exploration, evaluation and development assets, whilst the development of the Jubilee field in Ghana and other fields entering the production phase have also established the importance of the Income Statement to shareholders.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit scope included a full audit of all eight reporting unit locations, based on our assessment of the risks of material misstatement and of the materiality of the group's business operations at those locations. These eight reporting units account for 100% of the group's total revenue, profit before tax and net assets.

The group team audits the UK, Kenya and Uganda reporting units directly and their involvement in the work performed by component auditors varies by location and includes, at a minimum, a review of the reporting deliverables provided by the component audit teams. The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits each of the locations where the group audit scope was focused at least once every two years. In addition, in the current year the Senior Statutory Auditor or senior members of his team visited the most material financial reporting locations in Gabon, Ghana, Kenya, South Africa and the UK to support and review the audit work performed by the component auditors.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Carl D Hughes MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 February 2014

Group income statement
Year ended 31 December 2013

	Notes	2013 $m	2012 $m
Continuing activities			
Sales revenue	2	**2,646.9**	2,344.1
Cost of sales		**(1,206.5)**	(999.3)
Gross profit		**1,440.4**	1,344.8
Administrative expenses		**(218.5)**	(191.2)
Profit on disposal	10	**29.5**	702.5
Exploration costs written off	4,12	**(870.6)**	(670.9)
Operating profit	4	**380.8**	1,185.2
Loss on hedging instruments	22	**(19.7)**	(19.9)
Finance revenue	2	**43.7**	9.6
Finance costs	5	**(91.6)**	(59.0)
Profit from continuing activities before tax		**313.2**	1,115.9
Income tax expense	6	**(97.1)**	(449.7)
Profit for the year from continuing activities		**216.1**	666.2
Attributable to:			
Owners of the Company		**169.0**	624.3
Non-controlling interest	27	**47.1**	41.9
		216.1	666.2
Earnings per ordinary share from continuing activities	8	**¢**	¢
Basic		**18.6**	68.8
Diluted		**18.5**	68.4

Group statement of comprehensive income and expense
Year ended 31 December 2013

	Notes	2013 $m	2012 $m
Profit for the year		**216.1**	666.2
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gains/(losses) arising in the year	22	**3.4**	(3.3)
Reclassification adjustments for items included in profit on realisation	22	**5.3**	11.0
		8.7	7.7
Exchange differences on translation of foreign operations		**12.7**	7.7
Other comprehensive income		**21.4**	15.4
Tax relating to components of other comprehensive income	22	**0.1**	0.1
Net other comprehensive income for the year		**21.5**	15.5
Total comprehensive income for the year		**237.6**	681.7
Attributable to:			
Owners of the Company		**190.5**	639.8
Non-controlling interest		**47.1**	41.9
		237.6	681.7

Group balance sheet

As at 31 December 2013

	Notes	2013 $m	2012 $m
ASSETS			
Non-current assets			
Goodwill	11	**350.5**	—
Intangible exploration and evaluation assets	12	**4,148.3**	2,977.1
Property, plant and equipment	13	**4,862.9**	4,407.9
Investments	14	**1.0**	1.0
Other non-current assets	15	**68.7**	696.7
Derivative financial instruments	22	**6.8**	—
Deferred tax assets	25	**1.1**	4.9
		9,439.3	8,087.6
Current assets			
Inventories	16	**193.9**	163.7
Trade receivables	17	**308.7**	238.7
Other current assets	15	**944.4**	416.6
Current tax assets	6	**226.2**	28.6
Cash and cash equivalents	18	**352.9**	330.2
Assets classified as held for sale	19	**43.2**	116.4
		2,069.3	1,294.2
Total assets		**11,508.6**	9,381.8
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(1,041.1)**	(848.1)
Borrowings	21	**(159.4)**	—
Current tax liabilities		**(165.5)**	(292.4)
Derivative financial instruments	22	**(48.1)**	(39.4)
Liabilities directly associated with assets classified as held for sale	19	**(18.2)**	(48.9)
		(1,432.3)	(1,228.8)
Non-current liabilities			
Trade and other payables	20	**(29.4)**	(30.6)
Borrowings	21	**(1,995.0)**	(1,173.6)
Derivative financial instruments	22	**(28.3)**	(19.3)
Provisions	24	**(989.2)**	(531.6)
Deferred tax liabilities	25	**(1,588.0)**	(1,076.3)
		(4,629.9)	(2,831.4)
Total liabilities		**(6,062.2)**	(4,060.2)
Net assets		**5,446.4**	5,321.6
EQUITY			
Called-up share capital	26	**146.9**	146.6
Share premium	26	**603.2**	584.8
Foreign currency translation reserve		**(155.1)**	(167.8)
Hedge reserve	22	**2.3**	(6.5)
Other reserves		**740.9**	740.9
Retained earnings		**3,984.7**	3,931.2
Equity attributable to equity holders of the Company		**5,322.9**	5,229.2
Non-controlling interest	27	**123.5**	92.4
Total equity		**5,446.4**	5,321.6

Approved by the Board and authorised for issue on 11 February 2014.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Group statement of changes in equity

Year ended 31 December 2013

	Notes	Share capital $m	Share premium $m	Foreign currency translation reserve[1] $m	Hedge reserve[2] $m	Other reserves[3] $m	Retained earnings $m	Total $m	Non-controlling interest[4] $m	Total equity $m
At 1 January 2012		146.2	551.8	(175.5)	(14.3)	740.9	3,441.3	4,690.4	75.6	4,766.0
Profit for the year		—	—	—	—	—	624.3	624.3	41.9	666.2
Hedges, net of tax	22	—	—	—	7.8	—	—	7.8	—	7.8
Currency translation adjustments		—	—	7.7	—	—	—	7.7	—	7.7
Issue of shares	26	—	4.9	—	—	—	—	4.9	—	4.9
Issue of employee share options	26	0.4	28.1	—	—	—	—	28.5	—	28.5
Vesting of PSP shares		—	—	—	—	—	(9.1)	(9.1)	—	(9.1)
Share-based payment charges	28	—	—	—	—	—	47.9	47.9	—	47.9
Dividends paid	7	—	—	—	—	—	(173.2)	(173.2)	—	(173.2)
Distribution to non-controlling interests	27	—	—	—	—	—	—	—	(25.1)	(25.1)
At 1 January 2013		**146.6**	**584.8**	**(167.8)**	**(6.5)**	**740.9**	**3,931.2**	**5,229.2**	**92.4**	**5,321.6**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**169.0**	**169.0**	**47.1**	**216.1**
Hedges, net of tax	22	**—**	**—**	**—**	**8.8**	**—**	**—**	**8.8**	**—**	**8.8**
Currency translation adjustments		**—**	**—**	**12.7**	**—**	**—**	**—**	**12.7**	**—**	**12.7**
Issue of employee share options	26	**0.3**	**18.4**	**—**	**—**	**—**	**—**	**18.7**	**—**	**18.7**
Vesting of PSP shares		**—**	**—**	**—**	**—**	**—**	**(12.7)**	**(12.7)**	**—**	**(12.7)**
Share-based payment charges	28	**—**	**—**	**—**	**—**	**—**	**64.6**	**64.6**	**—**	**64.6**
Dividends paid	7	**—**	**—**	**—**	**—**	**—**	**(167.4)**	**(167.4)**	**—**	**(167.4)**
Distribution to non-controlling interests	27	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(16.0)**	**(16.0)**
At 31 December 2013		**146.9**	**603.2**	**(155.1)**	**2.3**	**740.9**	**3,984.7**	**5,322.9**	**123.5**	**5,446.4**

(1) The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments.

(2) The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

(3) Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 28).

(4) Non-controlling interest is described further in note 27.

Group cash flow statement
Year ended 31 December 2013

	Notes	2013 $m	2012 $m
Cash flows from operating activities			
Profit before taxation		**313.2**	1,115.9
Adjustments for:			
Depletion, depreciation and amortisation		**591.9**	561.9
Impairment loss		**52.7**	31.3
Exploration costs written off	12	**870.6**	670.9
Profit on disposal		**(29.5)**	(702.5)
Decommissioning expenditure		**(6.7)**	(2.4)
Share-based payment charge		**41.3**	32.6
Loss on hedging instruments		**19.7**	19.9
Finance revenue		**(43.7)**	(9.6)
Finance costs		**91.6**	59.0
Operating cash flow before working capital movements		**1,901.1**	1,777.0
Decrease/(increase) in trade and other receivables		**75.8**	(11.3)
(Increase)/decrease in inventories		**(28.9)**	11.3
Increase in trade payables		**49.6**	7.5
Cash generated from operations		**1,997.6**	1,784.5
Income taxes paid		**(252.3)**	(264.1)
Net cash from operating activities		**1,745.3**	1,520.4
Cash flows from investing activities			
Disposal of subsidiaries	10	**41.4**	—
Disposal of exploration and evaluation assets	10	**38.2**	2,568.2
Disposal of oil and gas assets		**0.7**	0.3
Disposal of other assets		**—**	1.3
Purchase of subsidiaries	9	**(392.8)**	—
Purchase of intangible exploration and evaluation assets		**(1,268.5)**	(1,196.6)
Purchase of property, plant and equipment		**(740.8)**	(652.8)
Finance revenue		**34.3**	1.3
Net cash (used)/generated in investing activities		**(2,287.5)**	721.7
Cash flows from financing activities			
Net proceeds from issue of share capital		**6.0**	24.5
Debt arrangement fees		**(13.5)**	(77.2)
Repayment of bank loans		**(1,236.5)**	(2,407.5)
Drawdown of bank loans		**1,447.7**	565.0
Issue of senior loan notes	22	**650.0**	—
Repayment of obligations under finance leases		**(3.3)**	(1.8)
Finance costs		**(103.5)**	(103.2)
Dividends paid	7	**(167.4)**	(173.2)
Distribution to non-controlling interests	27	**(16.0)**	(25.1)
Net cash generated/(used) by financing activities		**563.5**	(2,198.5)
Net increase in cash and cash equivalents		**21.3**	43.6
Cash and cash equivalents at beginning of year	18	**330.2**	307.1
Cash transferred to held for sale	19	**0.6**	(18.0)
Foreign exchange gain/(loss)		**0.8**	(2.5)
Cash and cash equivalents at end of year	18	**352.9**	330.2

Accounting policies

Year ended 31 December 2013

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 184.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may impact the accounting for future transactions and arrangements.

IFRS 7 Financial instruments: disclosures (amendment)

IFRS 7 has been amended to require disclosure of information about rights of set-off and related arrangements in regard to financial assets and liabilities.

IFRS 13 Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new standard also requires new disclosures to assist users to understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurement on profit or loss.

IAS 1 Presentation of items of other comprehensive income (amendment)

The amendment to IAS 1 requires that items that will be reclassified to the income statement in the future will be presented separately from items that will be never be reclassified.

IAS 19 Employee benefits (revised)

The revisions to IAS 19 includes, for defined benefit plans: the ability to defer recognition of actuarial gains and losses has been removed, expected returns on plan assets are no longer recognised in profit or loss, objectives for disclosure of defined benefit plans are explicitly stated in the revised standard, termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised and the distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

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 9..	Financial Instruments
IFRS 10......................................	Consolidated Financial Statements
IFRS 11......................................	Joint Arrangements
IFRS 12......................................	Disclosure of Interests in Other Entities
IAS 32 (amended)......................	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)......................	Recoverable Amount Disclosure for Non-Financial Assets
IAS 39 (amended)......................	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of IFRS 9 Financial Instruments which the Group plans to adopt for the year beginning on 1 January 2016 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

(c) Changes in accounting policy

Other than the changes to the Standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

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

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. 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 22 for further details).

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

(e) Basis of consolidation

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

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

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

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

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

Business combinations

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

Joint ventures

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures; these are classified as jointly controlled assets in accordance with IAS 31. The Group does not have any jointly controlled entities. The Group accounts for its share of the results and net assets of these joint ventures. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint 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 receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

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

(i) Inventory

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

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

(j) Foreign currencies

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

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into 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) Goodwill

The Group allocates goodwill to cash-generating units (CGUs) or groups of CGUs that represent the assets acquired as part of the business combination.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Exploration, evaluation and production assets

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

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

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

(m) Commercial reserves

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

(n) Depletion and amortisation—discovery fields

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

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

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

(o) Decommissioning

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

(p) Property, plant and equipment

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

(q) Finance costs and debt

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

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

(r) Share issue expenses and share premium account

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

(s) Taxation

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

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

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

In order to account for uncertain tax positions management have formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an income statement charge could arise due to the differing recognition criteria of assets and liabilities.

(t) Pensions

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

(u) Derivative financial instruments

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

Derivative financial instruments are stated at fair value.

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

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

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

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

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

(v) Leases

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

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

(w) Share-based payments

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

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model 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.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(x) Financial assets

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

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

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(z) Loans and receivables

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

(aa) Effective interest method

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

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

(ab) Financial liabilities and equity instruments

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

(ac) Equity instruments

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

(ad) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ae) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with in policy (af)), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Carrying value of intangible exploration and evaluation assets (note 12);

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management have applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

(af) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of property, plant and equipment (note 13);

Management performs impairment tests on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets and performs valuations of acquired property, plant and equipment in conjunction with IFRS 3 Business Combinations. The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for two years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Commercial reserves estimates (note 13);

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants.

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 22);

The Group closely monitors and manages its liquidity risk, through review of cash flow forecasts. In calculating cash flow forecasts, management make a number of judgements and estimates, including commodity prices, reserves, forecast capital expenditure, foreign exchange rates, and interest rates. The cash flow 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 phasing of development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed potentially to 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 2013 Annual Report and Accounts.

- Decommissioning costs (note 24);

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually and are estimated by reference to operators, where applicable and appropriate, internal engineers and independent specialists. A review of certain decommissioning cost estimates was undertaken by an independent specialist at the start of 2013 which has been assessed and updated internally for the purposes of the 2013 Financial Statements. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Recoverability of deferred tax assets (note 25);

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

- Capital gains tax due on Uganda farm-down (note 10);

In 2012 the Uganda Revenue Authority (URA) issued an assessment for $473 million in respect of capital gains tax on the farm-down on Ugandan interests to Total and CNOOC. At completion, $142 million was paid to the URA, being 30% of the tax assessed as legally required for an appeal. The assessment denies relief for costs incurred by the Group in the normal course of developing the assets, and excludes certain contractual and statutory reliefs from capital gains tax that the Group maintains are properly allowable. The dispute will first be heard before the Ugandan Tax Appeals

Tribunal in 2014 and if the Group is unsuccessful the matter will proceed to International Arbitration insofar as it relates to contractual issues. It is management's intention to proceed through the full legal process until award is made in the Group's favour.

It is expected that the Ugandan Tax Appeals Tribunal may not find in Tullow's favour such that a payment of $399 million, the estimated most likely outcome of the Tribunal process, is required in the first half of 2014. It is however probable, based on external legal advice, that the International Arbitration will award in the Group's favour. The Ugandan Tax Tribunal and International Arbitration have been viewed as a single unit of account in line with the Group's accounting policy. As the most probable outcome from the full legal process is that no liability will arise, the $399 million has not been recorded as a liability in the 2013 Financial Statements. If a payment is required in respect of the proceedings before the Ugandan Tax Appeals Tribunal, a receivable relating to the expected reimbursement arising as a result of International Arbitration will be recorded. The possible risk of the Group being unsuccessful at both the Ugandan Tax Tribunal and International Arbitration has been disclosed as a contingent liability (note 29). Management have applied judgement in determining an appropriate accounting policy for the unit of account of uncertain tax positions in line with provisions of similar standard setting bodies. They have also estimated the most probable outcome of legal proceedings in relation to Ugandan CGT and the amount of a possible payment from the Ugandan Tax Appeals Tribunal based on the advice from external legal counsel.

- Other tax provisions; and

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such claims in the context of the tax laws of the countries in which it operates and, where applicable, makes provision for any settlements which it considers are probable. In making this assessment management have estimated the most likely outcome.

The Directors believe that the Group has recorded adequate provisions as of 31 December 2013 and 2012 for all such matters.

- Other assets (note 15).

Recoverability of contingent consideration

On completion of the Ugandan farm-down in 2012, Tullow recognised $341.3 million of contingent consideration due from Total and CNOOC as a non-current receivable. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable.

Management have exercised judgement in determining when the project approvals will be received and currently expect the condition to be met in the first half of 2014 and therefore the receivable will be settled in full. The judgement has been based on the progress of ongoing discussions with Government and Partners regarding the development programme for Uganda.

Recoverable security paid to the Uganda Revenue Authority (URA)

Under the terms of Tullow and Heritage's PSA, Tullow opened proceedings against Heritage in London to recover the security paid by Tullow as designated agent to the URA. Tullow was successful in this action and received payment of $345.8 million in August 2013. On 20 September 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014. The Directors have exercised judgement based on external legal advice in determining the most likely outcome of the appeal, being an award in the Group's favour.

Notes to Group financial statements

Year ended 31 December 2013

Note 1. Segmental reporting

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the three geographical regions within which the Group operates. The Group has one class of business, being the exploration, development, production and sale of hydrocarbons and therefore the Group's reportable segments under IFRS 8 are West and North Africa; South and East Africa; and Europe, South America and Asia. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2013 and 31 December 2012.

	West and North Africa $m	South and East Africa $m	Europe, South America and Asia $m	Unallocated $m	Total $m
2013					
Sales revenue by origin	2,247.5	—	399.4	—	2,646.9
Segment result	1,285.5	(339.6)	(376.1)	—	569.8
Profit on disposal					29.5
Unallocated corporate expenses					(218.5)
Operating profit					380.8
Loss on hedging instruments					(19.7)
Finance revenue					43.7
Finance costs					(91.6)
Profit before tax					313.2
Income tax expense					(97.1)
Profit after tax					216.1
Total assets	5,940.4	2,173.3	3,212.0	182.9	11,508.6
Total liabilities	(1,943.6)	(276.4)	(1,771.6)	(2,070.6)	(6,062.2)
Other segment information					
Capital expenditure:					
Property, plant and equipment	876.7	2.3	164.2	27.2	1,070.4
Intangible exploration and evaluation assets	262.9	570.0	669.8	—	1,502.7
Depletion, depreciation and amortisation	(425.5)	(0.5)	(142.2)	(23.7)	(591.9)
Impairment losses recognised in income statement	—	—	(52.7)	—	(52.7)
Exploration costs written off	(113.4)	(334.9)	(422.3)	—	(870.6)

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately $911.7 million, $350.4 million and $337.6 million relating to the Group's largest customers (2012: $1,098.0 million single customer). As the sales of oil and gas are made on global markets, the Group does not place reliance on the largest customers mentioned above.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

	West and North Africa $m	South and East Africa $m	Europe, South America and Asia $m	Unallocated $m	Total $m
2012					
Sales revenue by origin	1,963.5	—	380.6	—	2,344.1
Segment result	974.1	(176.2)	(124.0)	—	673.9
Profit on disposal					702.5
Unallocated corporate expenses					(191.2)
Operating profit					1,185.2
Loss on hedging instruments					(19.9)
Finance revenue					9.6

Finance costs					(59.0)
Profit before tax					1,115.9
Income tax expense					(449.7)
Profit after tax					666.2
Total assets	5,148.3	2,185.6	1,868.0	179.9	9,381.8
Total liabilities	(1,531.9)	(285.1)	(999.4)	(1,243.8)	(4,060.2)
Other segment information					
Capital expenditure:					
Property, plant and equipment	626.5	1.5	136.3	29.8	794.1
Intangible exploration and evaluation assets	512.2	582.6	246.1	—	1,340.9
Depletion, depreciation and amortisation	(360.2)	(1.2)	(178.4)	(22.1)	(561.9)
Impairment losses recognised in income statement	(31.3)	—	—	—	(31.3)
Exploration costs written off	(320.9)	(176.1)	(173.9)	—	(670.9)

Sales revenue and non-current assets by origin	Sales revenue 2013 $m	Sales revenue 2012 $m	Non-current assets 2013 $m	Non-current assets 2012 $m
Ghana	**1,245.3**	958.5	**3,439.3**	3,093.0
Equatorial Guinea	**311.4**	330.7	**336.4**	261.6
Gabon	**493.5**	482.2	**330.8**	328.5
Other	**197.3**	192.1	**853.3**	694.0
Total West and North Africa	**2,247.5**	1,963.5	**4,959.8**	4,377.1
Uganda	**—**	—	**1,205.5**	1,713.8
Other	**—**	—	**394.7**	313.4
Total South and East Africa	**—**	—	**1,600.2**	2,027.2
Netherlands	**137.9**	142.3	**869.5**	860.3
Norway	**11.2**	—	**985.1**	—
Other	**250.3**	238.3	**861.2**	701.1
Total Europe, South America and Asia	**399.4**	380.6	**2,715.8**	1,561.4
Unallocated	**—**	—	**163.5**	121.9
Total revenue / non-current assets	**2,646.9**	2,344.1	**9,439.3**	8,087.6

Note 2. Total revenue

	Notes	2013 $m	2012 $m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		**2,678.9**	2,405.7
Loss on realisation of cash flow hedges	22	**(56.0)**	(77.0)
		2,622.9	2,328.7
Tariff income		**24.0**	15.4
Total sales revenue		**2,646.9**	2,344.1
Finance revenue	15	**43.7**	9.6
Total revenue		**2,690.6**	2,353.7

Finance revenue includes $32.8 million (2012: nil) of interest and costs awarded from the legal action against Heritage Oil & Gas Limited. Further explanation is provided in note 15.

Note 3. Staff costs

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

	2013 Number	2012 Number
Administration	**828**	615
Technical	**851**	738
Total	**1,679**	1,353

Staff costs in respect of those employees were as follows:

	2013 $m	2012 $m
Salaries	**258.7**	226.4
Social security costs	**29.0**	12.4
Pension costs	**15.8**	13.1
	303.5	251.9

A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets. The net staff costs recognised in administrative expenses were $67.3 million (2012: $64.6 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 4. Operating profit

	Notes	2013 $m	2012 $m
Operating profit is stated after charging:			
Staff costs	3	**67.3**	64.6
Depletion and amortisation of oil and gas assets	13	**565.1**	536.7
Depreciation of other fixed assets	13	**26.8**	25.2
Impairment of property, plant and equipment	13	**48.0**	31.3
Impairment of assets held for sale	19	**4.7**	—
Exploration costs written off	12	**865.5**	670.9
Exploration costs written off associated with assets held for sale	19	**5.1**	—
Share-based payment charge included in cost of sales	28	**1.8**	2.0
Share-based payment charge included in administrative expenses	28	**39.5**	30.6
Operating lease rentals		**20.3**	13.6
Auditor's remuneration (see below)		**4.7**	3.3
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		**0.3**	0.2
The audit of the Company's subsidiaries pursuant to legislation		**2.3**	1.7
Total audit services		**2.6**	1.9
Non-audit services:			
Audit related assurance services—half-year review		**0.4**	0.4
Other assurance services		**0.7**	0.1
Tax compliance services		**0.2**	0.2
Information technology services		**0.1**	0.1
Corporate finance services		**—**	—
Other services		**0.7**	0.6
Total non-audit services		**2.1**	1.4
Total		**4.7**	3.3

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Tax advisory services include assistance in connection with enquiries from local fiscal authorities. Information technology services includes IT security analysis and assistance provided to management in the selection of new systems. The auditor is not involved in the design or implementation of IT systems. Other services include assistance to management in assessing changes to the finance function resulting from the Group's expansion and subscription fees for upstream data.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 89 to 93. No services were provided pursuant to contingent fee arrangements.

Note 5. Finance costs

	Notes	2013 $m	2012 $m
Interest on bank overdrafts and borrowings		**147.4**	94.8
Interest on obligations under finance leases		**2.3**	1.8
Total borrowing costs		**149.7**	96.6
Less amounts included in the cost of qualifying assets	12, 13	**(105.9)**	(67.2)
		43.8	29.4
Finance and arrangement fees		**7.0**	9.3
Other interest expense		**1.8**	—
Foreign exchange losses		**21.5**	—
Unwinding of discount on provisions	24	**17.5**	20.3
Total finance costs		**91.6**	59.0

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.84% (2012: 7.68%) to cumulative expenditure on such assets.

Note 6. Taxation on profit on ordinary activities

Analysis of charge in period

The tax charge comprises:

	Notes	2013 $m	2012 $m
Current tax			
UK corporation tax		**4.3**	10.1
Foreign tax[1]		**(9.8)**	360.2
Total corporate tax		**(5.5)**	370.3
UK petroleum revenue tax		**11.1**	10.8
Total current tax		**5.6**	381.1
Deferred tax			
UK corporation tax		**(35.5)**	17.3
Foreign tax		**130.8**	53.6
Total deferred corporate tax		**95.3**	70.9
Deferred UK petroleum revenue tax		**(3.8)**	(2.3)
Total deferred tax	25	**91.5**	68.6
Total tax expense		**97.1**	449.7

1. Included in 2012 foreign current tax is $142 million CGT paid in respect of the Uganda farm-down (note 10).

Factors affecting tax charge for period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits.

The difference between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 23% (2012: 24%) to the profit before tax is as follows:

	2013 $m	2012 $m
Group profit on ordinary activities before tax	**313.2**	1,115.9
Tax on Group profit on ordinary activities at the standard UK corporation tax rate of 23% (2012: 24%)	**72.0**	267.8
Effects of:		
Expenses not deductible for tax purposes	**123.7**	86.7
Other income not subject to corporation tax	**(85.2)**	(15.5)
PSC income not subject to corporation tax	**(51.9)**	(83.1)
Net losses not recognised	**86.6**	129.1
Petroleum revenue tax (PRT)	**6.8**	8.5
UK corporation tax deductions for current PRT	**(4.2)**	(5.3)
Utilisation of tax losses not previously recognised	**(7.5)**	—

Adjustment relating to prior years	**(52.5)**	20.8
Adjustments to deferred tax relating to change in tax rates	**0.1**	16.5
Income taxed at a different rate	**32.5**	161.2
Uganda capital gains tax	**—**	(132.6)
Tax incentives for investment	**(23.3)**	(4.4)
Group total tax expense for the year	**97.1**	449.7

Note 6. Taxation on profit on ordinary activities continued

Following previous reductions in the main rate of UK corporation tax, on 26 March 2012 additional reductions from 26% to 24% effective from 1 April 2012 and from 24% to 23% from 1 April 2013 were substantively enacted. The Finance Act 2013 substantively enacted on 2 July 2013 included legislation reducing the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and a further phased reduction in the mainstream rate to 20% at 1 April 2015.

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

The Group has tax losses of $1,783.0 million (2012: $1,724.7 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The Group has recognised $52.0 million in deferred tax assets in relation to taxable losses (2012: $49.4 million); this is disclosed net of a deferred tax liability in respect of capitalised interest.

No deferred tax liability is recognised on temporary differences of $24.5 million (2012: $30.0 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Current tax assets

As at 31 December 2013, current tax assets were $226.2 million (2012: $28.6 million) of which $203.0 million relates to Norway, where 78% of exploration expenditure is refunded as a tax refund in the following year.

Note 7. Dividends

	2013 $m	**2012 $m**
Declared and paid during year		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**110.6**	115.4
Interim dividend for 2013: 4 pence (2012: 4 pence) per ordinary share	**56.8**	57.8
Dividends paid	**167.4**	173.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2013: 8 pence (2012: 8 pence) per ordinary share	**120.0**	117.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Note 8. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options were converted into ordinary shares.

	2013 $m	**2012 $m**
Earnings		
Net profit attributable to equity shareholders	**169.0**	624.3

Effect of dilutive potential ordinary shares	**—**	—
Diluted net profit attributable to equity shareholders	**169.0**	624.3

	2013 Number	**2012 Number**
Number of shares		
Basic weighted average number of shares	**908,318,245**	906,825,122
Dilutive potential ordinary shares	**6,100,643**	5,555,890
Diluted weighted average number of shares	**914,418,888**	912,381,012

Note 9. Acquisitions of subsidiaries

On 11 December 2012 Tullow announced that it had acquired 100% of the ordinary share capital of Spring Energy Norway AS ("Spring"). The acquisition of Spring added a portfolio of 28 offshore licences across Norway's continental shelf in the North, Norwegian and Barents Seas. The acquisition enables the Group to rapidly build a strong platform for future growth in Norway. The transaction had an effective date of 1 September 2012 but completed on 22 January 2013 and this is therefore the acquisition date.

	Acquisition fair value $m
Goodwill	**350.5**
Intangible exploration and evaluation assets	**593.3**
Property, plant and equipment	**0.6**
Other non-current assets	**26.2**
Inventory	**0.8**
Trade receivables	**4.1**
Other current assets	**30.4**
Current tax assets	**90.7**
Cash and cash equivalents	**26.3**
Trade and other payables	**(68.4)**
Other financial liabilities—current(6)	**(87.7)**
Deferred tax liabilities	**(414.6)**
Provisions	**(28.6)**
Total purchase consideration	**523.6**
Represented by:	
Consideration satisfied by cash	**419.1**
Contingent consideration	**104.5**
Total purchase consideration	**523.6**
Consideration satisfied by cash	**(419.1)**
Cash and cash equivalents acquired	**26.3**
Purchase of subsidiaries per the cash flow statement	**(392.8)**

Valuation methodology and assumptions

All fair values calculated for the purposes of IFRS 3 are classified as Level 3 in accordance with IFRS 13 Fair Value Measurement. The following table summarises the techniques used to arrive at fair value and certain key assumptions.

Category	Valuation technique	Key inputs & assumptions
Goodwill	n/a(1)	n/a
Intangible exploration and evaluation assets	$/boe of risked resources	$/boe of risked resources(2)
Property, plant and equipment	Discounted cash flow	2P reserves, forward oil curve, 10% discount rate(2)
Inventory	Historical cost	Historical cost of all inventory lower than NRV
Provisions(3)	Present value	4% discount rate, 2% inflation, operator cost estimate
Contingent consideration	Discounted cash flow	$/bbl of risked resources(4), 8% discount rate
All other items(5)	Carrying value	The carrying value is equal to fair value

(1) The total purchase consideration equals the aggregate of the pre-tax fair value of the identifiable assets and liabilities of Spring. Given the nature of the oil and gas regime in Norway, the fair value of the business acquired has been determined based on the purchase price which is net of tax attributes. As a consequence, the goodwill balance solely results from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases.

(2) Further details regarding the key inputs and assumptions on the valuation of intangible, exploration and evaluation assets and property plant and equipment are disclosed in notes 11, 12 and 13.

(3) Provisions represent the present value of decommissioning costs ($18.6 million) which are expected to be incurred up to 2025 and a $10.0 million liability on development of the PL407 licence.

(4) The contingent consideration represents the fair value of a contingent amount payable to the previous owners of Spring. The payable is calculated as $0.5/bbl to $1.0/bbl of recoverable resources recognised by four operated wells expected to be drilled in 2013 and 2014 and is capped at $300 million.

(5) All other items includes other non-current assets, trade receivables, other current assets, current tax assets, cash and cash equivalents, trade and other payables, other financial liabilities and deferred tax liabilities.

(6) Other current financial liabilities at 31 December and at the acquisition date relate to Spring's Exploration Finance Facility, which provides funding for 74% of Norwegian exploration costs secured against the exploration tax refund on exploration expenditure of 78%.

Transaction costs of $0.9m in respect of the acquisition are recognised in the 2013 income statement. From the date of acquisition, Spring has contributed $11.2 million to Group revenues and a loss of $17.7 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 period would have been $2,647.8 million and Group profit would have been $216.9 million.

There were no acquisitions involving business combinations in 2012.

Note 10. Disposals

In 2013 the Group completed the disposal of Tullow Bangladesh Limited for $41.4 million which was previously classified as held for sale (note 19). During 2013 the Group also farmed down a portion of its interest in CI-103 in Côte d'Ivoire and received $8.6 million in cash for past costs (note 12).

In 2012 the Group completed the farm-down of one-third of its Uganda interests to both Total and CNOOC ("the partners") for consideration of $3.3 billion (including $341.3 million of discounted contingent consideration, note 15), generating a profit on disposal of $701.0 million.

In 2012 the Group provided for $30.0 million in respect of the $313.0 million recoverable security paid by Tullow to the Uganda Revenue Authority as agent to the transaction between Tullow and Heritage Oil and Gas Ltd (note 15). This balance was initially capitalised as a cost of the Uganda assets which were subsequently farmed down. Therefore on receipt of the receivable in full the Group recorded $30 million as a profit on disposal in the 2013 income statement. The $30.0 million balance previously provided for has been treated as an investing activity in the cash flow statement whereas the remaining $283.0 million is treated as a decrease in receivables.

Further disposals of oil and gas assets and non-oil and gas assets generating a loss on disposal of $0.5 million were completed in 2013 (2012: $1.5 million, profit).

Note 11. Goodwill

	2013 $m	**2012 $m**
At 1 January	—	—
Acquisition of subsidiaries (note 9)	**350.5**	—
At 31 December	**350.5**	—
Related deferred tax at 31 December	**(285.8)**	—
Total net asset impact after tax	**64.7**	—

The Group's goodwill arose from acquisition of Spring in 2013 (note 9) and is allocated to the group of cash-generating units (CGUs) that represent the assets acquired. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. The goodwill balance solely results from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. As a result, for the purposes of testing goodwill for impairment, the related deferred tax liabilities recognised on acquisition are included in the group of CGUs. The above table details the net impact of goodwill and the related deferred tax on the CGU.

In assessing goodwill for impairment the Group has compared the carrying value of goodwill and carrying value of the related group of CGUs with the recoverable amounts relating to those CGUs. The carrying value of goodwill and carrying value of the related group of CGUs was $640.7 million and the recoverable amount of the CGUs was $646.5 million, resulting in no impairment.

Key assumptions

The valuation techniques, methodology, inputs and assumptions used for the purposes of goodwill impairment testing performed as at 31 December 2013 are the same as those used as part of the IFRS 3 fair value allocation detailed in note 9. Further details of how those key assumptions were calculated are summarised below:

Commodity prices

Forecast commodity prices are estimated using observable market forward curves.

Recoverable reserves and resources

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Capital expenditure

The capital expenditure assumptions represent management's best estimate at the date of impairment testing of future capital requirements linked to the costs associated with the extraction of the related reserves and resources.

Operating costs

The operating cost assumptions represent management's best estimate at the date of impairment testing of the costs to be incurred. The estimation of operating costs includes consideration of current operating costs, expectation of future costs and the nature and location of the operation.

Dollar per boe of risk resources

For exploration prospects a dollar per boe ($/boe) valuation methodology was used, whereby value was ascribed to prospects based on an internal estimate of risked resources multiplied by a $/boe figure representing a likely sales case. The $/boe was risked to reflect the proximity to existing infrastructure, subsurface risks and the likelihood of development from a recognised valuation of $2/boe for Norwegian North Sea prospects.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its Weighted Average Cost of Capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

Sensitivity to changes in assumptions

Management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

Note 12. Intangible exploration and evaluation assets

	Notes	2013 $m	2012 $m
At 1 January		**2,977.1**	5,529.7
Acquisition of subsidiaries	9	**593.3**	—
Additions		**1,502.7**	1,340.9
Disposals	10	**(8.6)**	(2,573.6)
Amounts written-off	4	**(865.5)**	(670.9)
Write-off associated with Norway contingent consideration provision	24	**(41.2)**	—

Transfer to assets held for sale	19	**—**	(28.4)
Transfer to property, plant and equipment	13	**(2.7)**	(625.3)
Currency translation adjustments		**(6.8)**	4.7
At 31 December		**4,148.3**	2,977.1

Included within 2013 additions is $56.9 million (note 5) of capitalised interest (2012: $67.2 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.

In 2013 the income statement exploration costs written-off differ from the table above as a result of the write-down of the held for sale Pakistan assets of $5.1 million (note 19).

	2013 $m	**2012 $m**
Exploration costs written off	**(870.6)**	(670.9)
Associated deferred tax credit	**173.9**	69.5
Net exploration costs written off after tax	**(696.7)**	(601.4)

During 2013 the Group spent $1.1 billion, including Norway exploration costs on a post tax basis, on exploration and appraisal activities and has written off $417.2 million in relation to this expenditure. This includes net write-offs in relation to current year expenditure in French Guiana ($100.5 million), Norway ($28.0 million), Gabon ($27.6 million), Ethiopia ($45.3 million), Mozambique ($77.0 million) and new venture costs were $75.0 million. In addition the Group has written off $279.5 million in relation to prior years expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Kenya ($79.0 million), Uganda ($66.9 million) and UK ($29.9 million).

In 2012 the Group spent $1.1 billion on exploration and appraisal activities and wrote off $236.1 million in relation to this expenditure. This included net write-offs in relation to 2012 expenditure in Ghana ($36.9 million), Guyana ($46.4 million), Sierra Leone ($37.9 million) and new venture costs were $66.8 million. In addition the Group has written off $365.3 million net of tax in relation to prior year expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Mauritania ($80.8 million), Namibia ($114.6 million) and Ghana ($37.0 million).

Note 13. Property, plant and equipment

	Notes	**Oil and gas assets $m**	**Other fixed assets $m**	**Total $m**
Cost				
At 1 January 2012		6,234.4	111.6	6,346.0
Additions		760.0	34.1	794.1
Transfer to assets held for sale	19	(69.9)	—	(69.9)
Transfer from intangible exploration and evaluation assets	12	625.3	—	625.3
Currency translation adjustments		82.0	4.0	86.0
At 1 January 2013		**7,631.8**	**149.7**	**7,781.5**
Acquisitions of subsidiaries		**—**	**0.6**	**0.6**
Additions		**1,003.4**	**67.0**	**1,070.4**
Disposals		**(0.4)**	**—**	**(0.4)**
Transfer from intangible exploration and evaluation assets	12	**2.7**	**—**	**2.7**
Currency translation adjustments		**54.9**	**4.1**	**59.0**
At 31 December 2013		**8,692.4**	**221.4**	**8,913.8**
Depreciation, depletion and amortisation				
At 1 January 2012		(2,712.6)	(53.1)	(2,765.7)
Charge for the year	4	(536.7)	(25.2)	(561.9)
Impairment loss	4	(31.3)	—	(31.3)
Transfer to assets held for sale	19	37.6	—	37.6
Currency translation adjustments		(50.1)	(2.2)	(52.3)
At 1 January 2013		**(3,293.1)**	**(80.5)**	**(3,373.6)**
Charge for the year	4	**(565.1)**	**(26.8)**	**(591.9)**
Impairment loss	4	**(48.0)**	**—**	**(48.0)**
Disposal		**0.4**	**—**	**0.4**
Currency translation adjustments		**(36.5)**	**(1.3)**	**(37.8)**
At 31 December 2013		**(3,942.3)**	**(108.6)**	**(4,050.9)**

Net book value				
At 31 December 2013		**4,750.1**	**112.8**	**4,862.9**
At 31 December 2012		4,338.7	69.2	4,407.9

The 2013 additions included capitalised interest of $49.0 million (note 5) in respect of the TEN development project (2012: $nil). The carrying amount of the Group's oil and gas assets includes an amount of $36.9 million (2012: $37.4 million) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment.

During 2012, the TEN Project in Ghana was transferred from contingent resources to commercial reserves following submission of the Plan of Development to the Government of Ghana. No material transfers were made in 2013.

An impairment loss after tax of $27 million ($44.0 million before tax) was recognised in respect of the Thames field in the UK (2012: M'Boundi, $31.3 million) as a result of an increase in the estimated cost to decommission. 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 a gas price assumption equal to the forward curve in 2014 and 2015 and 60.0p/th thereafter and a pre-tax discount rate assumption of 10%. The remainder of the impairment loss relates to current year expenditure on the Brage field, Norway, which has a zero recoverable amount.

Depletion and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus production in the period, generally on a field-by-field basis. Commercial reserves estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Commercial reserves estimates are based on a Group reserves report produced by an independent engineer. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Note 14. Investments

	2013 $m	**2012 $m**
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value. A list of the subsidiaries which the Directors consider to be significant as at 31 December 2013 is included in note 1 to the Company accounts.

Note 15. Other assets

	2013 $m	**2012 $m**
Non-current		
Contingent consideration receivable	**—**	348.3
Recoverable security due from Heritage Oil and Gas Limited	**—**	283.5
Uganda VAT recoverable	**50.6**	55.5
Other non-current assets	**18.1**	9.4
	68.7	696.7
Current		
Contingent consideration receivable	**358.1**	—
Amounts due from joint venture partners	**367.2**	234.4
Underlifts	**30.8**	16.7
Prepayments	**99.3**	33.4
VAT recoverable	**7.9**	12.3
Other current assets	**81.1**	119.8
	944.4	416.6

As at 31 December 2013, $358.1 million has been recorded as a current receivable (2012: $348.3 million, non-current) in respect of contingent consideration due on the 2012 Ugandan farm down. The carrying value represents a receivable due of $370.2 million discounted to the estimated due date to reflect the credit risk of the counterparties and the time value of money. The unwind of the discount has been accounted for as finance revenue. Refer to accounting policy (af) for the judgements made in determining the carrying value of this receivable.

In 2013 Tullow was successful in an action against Heritage Oil and Gas Ltd and received payment for $345.8 million in August 2013, which included receipt of the $313.0 million due and $32.8 million of interest, which has been recorded as finance revenue. The Group had previously provided for $30.0 million in respect of the $313.0 million. On 20 September 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014, as a result the Group has reported the $345.8 million as a contingent liability (note 29) reflecting the possibility the appeal may not award in the Group's favour.

Note 16. Inventories

	2013 $m	2012 $m
Warehouse stocks and materials	**147.4**	84.9
Oil stocks	**46.5**	78.8
	193.9	163.7

Inventories includes a provision of $4.5 million (2012: $4.6 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 17. 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 (2012: $nil).

Note 18. Cash and cash equivalents

	2013 $m	2012 $m
Cash at bank	**352.9**	316.9
Short-term deposits	**—**	13.3
	352.9	330.2

Cash and cash equivalents includes an amount of $201.0 million (2012: $223.8 million) which the Group holds as operator in joint venture bank accounts.

Note 19. Assets classified as held for sale

In March 2012, the Board resolved to dispose of the Group's Asia operations. In April 2013 Tullow announced the sale of Tullow Bangladesh limited to KrisEnergy Asia Limited for a consideration of $41.4 million. The sale completed in December 2013. The consideration post working capital adjustment was lower than the carrying value of Tullow Bangladesh Limited and an impairment of $4.7 million has been recognised in cost of sales.

On 11 October 2013, Tullow signed a Sale and Purchase agreement with Ocean Pakistan Limited, a part of the Hashoo Group, for the sale of Tullow's 100% owned Pakistan subsidiary, Tullow Pakistan Developments Limited. The sale is expected to complete in early 2014. The consideration post working capital adjustment is expected to be lower than the carrying value of Tullow Pakistan Developments Limited and an exploration write-off of $5.1 million has been recognised in the income statement.

The Group's Asia operations are included in the Europe, South America and Asia segment.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Bangladesh 2013 $m	Pakistan 2013 $m	Bangladesh 2012 $m	Pakistan 2012 $m
Intangible exploration and evaluation assets	**—**	**25.2**	—	28.4
Property, plant and equipment	**—**	**—**	32.3	—
Trade and other receivables	**—**	**0.5**	4.1	0.6
Other current assets	**—**	**1.5**	3.9	29.1
Cash and cash equivalents	**—**	**16.0**	1.4	16.6
Total assets classified as held for sale	**—**	**43.2**	41.7	74.7
Trade and other payables	**—**	**(17.7)**	(19.0)	(28.3)
Provisions	**—**	**(0.5)**	(1.0)	(0.6)
Total liabilities associated with assets classified as held for sale	**—**	**(18.2)**	(20.0)	(28.9)
Net assets of disposal group	**—**	**25.0**	21.7	45.8
Impairment loss / exploration write-off recorded	**(4.7)**	**(5.1)**	—	—

Note 20. Trade and other payables

Current liabilities

	Notes	2013 $m	2012 $m
Trade payables		**41.7**	50.5
Other payables		**252.7**	195.6
Overlifts		**16.7**	9.2
Accruals		**696.5**	545.8
VAT and other similar taxes		**32.3**	46.0
Current portion of finance lease	23	**1.2**	1.0
		1,041.1	848.1

The other payables balance primarily contains payables in relation to operated licences a portion of which will be billed onto JV partners and is reflected in other current assets (note 15).

Non-current liabilities

	Notes	2013 $m	2012 $m
Non-current portion of finance lease	23	**29.4**	30.6
		29.4	30.6
—After one year but within five years		**6.9**	8.1
—After five years		**22.5**	22.5
		29.4	30.6

Trade and other payables are non-interest bearing except for finance leases (note 23).

Note 21. Borrowings

	2013 $m	2012 $m
Current		
Short-term borrowings	**159.4**	—
Non-current		
Term loans repayable		
—After one year but within two years	**—**	—
—After two years but within five years	**445.0**	621.1
—After five years	**906.0**	552.5
Senior notes due 2020	**644.0**	—

	1,995.0	1,173.6
Carrying value of total borrowings	**2,154.4**	1,173.6
Accrued interest and unamortised fees	**107.0**	145.1
External borrowings	**2,261.4**	1,318.7

External borrowings represent the principal amount due at maturity. Short-term borrowings, term loans and most guarantees are secured by fixed and floating charges over the oil and gas assets of the Group.

The $3.5 billion Reserves Based Lending credit facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 29 November 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

The NOK 2,000 million Revolving Norwegian Exploration Finance facility is used to finance certain exploration activities on the Norwegian Continental Shelf which are eligible for a tax refund. The facility is available for drawings until 31 December 2014 and its final maturity date is either the date the 2014 tax reimbursement claims are received or 31 December 2015, whichever is the earlier. The facility incurs interest on outstanding debt at NIBOR plus an applicable margin.

At the end of December 2013, the headroom under the three facilities amounted to $2,403 million; $1,903 million under the $3.5 billion Reserves Based Lending credit facility, $500 million under the Revolving credit facility and nil under the Revolving Norwegian Exploration Finance facility. At the end of December 2012, the headroom under the facilities amounted to $2,202 million; $1,702 million under the Reserves Based Lending credit facility and $500 million under the Revolving credit facility.

In November 2013 the Company completed an offering of $650 million aggregate principal amount of 6% senior notes due 2020. Interest on the notes is payable semi-annually. The notes, whose net proceeds were used to repay certain existing indebtedness under the Company's credit facilities (but not cancel commitments under such facilities) are senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries.

Capital management

The Group defines capital as the total equity of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2013.

The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to equity. Net debt is calculated as gross debt, as shown in the balance sheet, less cash and cash equivalents.

	Notes	**2013 $m**	**2012 $m**
External borrowings		**2,261.4**	1,318.7
Less cash and cash equivalents	18	**(352.9)**	(330.2)
Net debt		**1,908.5**	988.5
Equity		**5,446.4**	5,321.6
Net debt ratio		**35%**	19%

The movement from 2012 is attributable to higher external borrowings during 2013, principally as a result of the Group's $2,402.1 million investment in development, appraisal and exploration activities and acquisition, partially offset by operating cash flows.

Note 22. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. In addition, the Group holds a portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the senior notes, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the senior notes, as determined using market values at 31 December 2013 was $665.0 million. The Group has no material financial assets that are past due. The Group predominantly sells to large oil and gas multinationals, no financial assets are impaired at the balance sheet date and all are considered to be fully recoverable.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	**2013 Less than 1 year $m**	**2013 1-3 years $m**	**2013 Total $m**	**2012 Less than 1 year $m**	**2012 1-3 years $m**	**2012 Total $m**
Cash flow hedges						
Oil derivatives	**5.0**	**27.3**	**32.3**	5.4	32.6	38.0
Gas derivatives	**(0.1)**	**(0.1)**	**(0.2)**	0.1	—	0.1
Interest rate derivatives	**(4.5)**	**6.8**	**2.3**	(0.9)	(2.0)	(2.9)
	0.4	**34.0**	**34.4**	4.6	30.6	35.2
Deferred premium						
Oil derivatives	**(48.1)**	**(55.4)**	**(103.5)**	(43.6)	(49.4)	(93.0)
Gas derivatives	**(0.4)**	**(0.1)**	**(0.5)**	(0.4)	(0.5)	(0.9)
	(48.5)	**(55.5)**	**(104.0)**	(44.0)	(49.9)	(93.9)
Total assets	**—**	**6.8**	**6.8**	—	—	—
Total liabilities	**(48.1)**	**(28.3)**	**(76.4)**	(39.4)	(19.3)	(58.7)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2012: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2013 and 31 December 2012, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

Income statement hedge summary

Losses from commodity derivative settlements during the period, included in the income statement, were $56.0 million (2012: $77.0 million) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

Loss on hedging instruments:	**2013 $m**	**2012 $m**
Cash flow hedges		
Gas derivatives		
Time value	**0.2**	1.3
	0.2	1.3
Oil derivatives		
Ineffectiveness	**0.1**	0.2
Time value	**(20.0)**	(21.4)
	(19.9)	(21.2)
Total net loss for the year in the income statement	**(19.7)**	(19.9)

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

Deferred amounts in the hedge reserve	**2013 $m**	**2012 $m**
At 1 January	**(6.5)**	(14.3)
Revaluation losses arising in the year	**3.4**	(3.3)
Reclassification adjustments for items included in income statement on realisation	**5.3**	11.0
Movement in deferred tax	**0.1**	0.1
	8.8	7.8
At 31 December	**2.3**	(6.5)

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	**2013 $m**	**2012 $m**
Cash flow hedges		
Oil derivatives	**—**	(3.4)
Interest rate derivatives	**2.3**	(3.1)
	2.3	(6.5)

Cash flow and interest rate risk

The Group is exposed to floating interest rate risk as entities in the Group borrow funds at floating interest 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, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises senior notes, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2013 is an asset of $2.3 million (2012: $2.9 million liability). Interest rate hedges are included in fixed rate debt in the table below.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2013 and 2012 was as follows:

	2013 Cash at bank $m	**2013 Fixed rate debt $m**	**2013 Floating rate debt $m**	**2013 Total $m**	**2012 Cash at bank $m**	**2012 Fixed rate debt $m**	**2012 Floating rate debt $m**	**2012 Total $m**
US$	**258.2**	**(1,000.0)**	**(927.2)**	**(1,669.0)**	271.3	(50.0)	(1,097.1)	(875.8)
Euro	**14.8**	**—**	**—**	**14.8**	24.5	—	—	24.5
Sterling	**24.0**	**—**	**(174.8)**	**(150.8)**	28.3	—	(171.6)	(143.3)
Other	**55.9**	**—**	**(159.4)**	**(103.5)**	6.1	—	—	6.1
	352.9	**(1,000.0)**	**(1,261.4)**	**(1,908.5)**	330.2	(50.0)	(1,268.7)	(988.5)

The Group has a financial asset of $370.2 million in respect of contingent consideration due from Total and CNOOC, this is non-interest bearing and is due in US dollar (note 15). Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Credit risk

Credit risk refers to the risk that a counterparty will fail to perform, or fail to pay amounts due, resulting in financial loss to the Group. The primary activities of the Group are oil and gas exploration and production. The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. To the extent possible the Group mitigates credit risk by entering into contracts and agreements which enable netting and allow for termination of the contract upon the occurrence of certain events of default. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions undertaken is spread amongst approved counterparties.

The Group generally enters into derivative agreements with banks who are lenders under the Reserves Based Lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group is due $370.2 million from Total and CNOOC in respect of contingent consideration in connection with the 2012 Ugandan farm-down (note 15), as at 31 December 2013 this balance is not past due or impaired. The Group has accounted for the credit risk of Total and CNOOC through discounting of the receivable with their effective credit risk. The Group does not have any other 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, current tax assets and other current assets, as at 31 December 2013 was $1,908.7 million (2012: $1,769.7 million).

Foreign currency risk

Wherever possible, the Group conducts and manages its business in sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also mainly denominated in Sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place at the 2013 year-end (2012: 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 2013, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $37.3 million in non-US dollar denominated cash and cash equivalents (2012: $28.3 million) and £106.0 million cash drawings under the Group's borrowing facilities (2012:

£106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $137.5 million (2012: net liabilities of $143.3 million).

Liquidity risk

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

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 2013 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 2013							
Non-interest bearing	**n/a**	**249.6**	**10.4**	**84.6**	**—**	**—**	**344.6**
Finance lease liabilities...	**6.5%**	**—**	**—**	**3.3**	**13.7**	**28.5**	**45.5**
Fixed interest rate instruments.................	**6.5%**						
Principal repayments...		**—**	**—**	**—**	**—**	**650.0**	**650.0**
Interest charge............		**—**	**—**	**39.0**	**156.0**	**78.0**	**273.0**
Variable interest rate instruments.................	**7.8%**						
Principal repayments...		**—**	**—**	**159.4**	**536.9**	**915.1**	**1,611.4**
Interest charge............		**5.0**	**10.0**	**45.8**	**304.1**	**48.5**	**413.4**
		254.6	**20.4**	**332.1**	**1,010.7**	**1,720.1**	**3,337.9**

	Weighted average effective interest rate	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 December 2012							
Non-interest bearing	n/a	101.8	80.8	106.7	3.1	8.9	301.3
Finance lease liabilities...	6.5%	—	—	3.3	13.4	32.2	48.9
Variable interest rate instruments.................	7.7%						
Principal repayments...		—	—	—	750.3	568.4	1,318.7
Interest charge............		4.2	8.4	38.1	192.8	44.5	288.0
		106.0	89.2	148.1	959.6	654.0	1,956.9

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being interest rates, Dated Brent oil prices, UK D-1 Heren and M-1 Heren natural gas prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

	Market movement	Equity		Foreign currency denominated liabilities and equity	
		2013 $m	2012 $m	2013 $m	2012 $m

Interest rate	25 basis points	**3.8**	0.2	**—**	—
Interest rate	(25) basis points	**(3.8)**	(0.2)	**—**	—
Brent oil price	10%	**(0.8)**	(7.1)	**—**	—
Brent oil price	(10%)	**1.2**	3.4	**—**	—
UK D-1 Heren and M-1 Heren natural gas price	10%	**—**	(1.0)	**—**	—
UK D-1 Heren and M-1 Heren natural gas price	(10%)	**0.5**	1.3	**—**	—
US$/foreign currency exchange rates	20%	**—**	—	**(29.1)**	(28.5)
US$/foreign currency exchange rates	(20%)	**—**	—	**35.0**	34.3

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

Note 23. Obligations under finance leases

	Notes	2013 $m	2012 $m
Amounts payable under finance leases:			
—Within one year		**3.3**	3.3
—Within two to five years		**13.7**	13.4
—After five years		**28.5**	32.2
		45.5	48.9
Less future finance charges		**(14.9)**	(17.3)
Present value of lease obligations		**30.6**	31.6
Amount due for settlement within 12 months	20	**1.2**	1.0
Amount due for settlement after 12 months	20	**29.4**	30.6

The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2013 was 13 years (2012: 14 years). For the year ended 31 December 2013, the effective borrowing rate was 6.5% (2012: 6.5%).

Note 24. Provisions

	Notes	Decommissioning 2013 $m	Other provisions 2013 $m	Total 2013 $m	Decommissioning 2012 $m	Other provisions 2012 $m	Total 2012 $m
At 1 January		**531.6**	**—**	**531.6**	440.8	—	440.8
New provisions and changes in estimates		**274.0**	**136.3**	**410.3**	60.4	—	60.4
Acquisition of subsidiary	9	**18.6**	**10.0**	**28.6**	—	—	—
Decommissioning payments		**(6.7)**	**—**	**(6.7)**	1.1	—	1.1
Unwinding of discount	5	**16.7**	**0.8**	**17.5**	20.3	—	20.3
Transfer to assets held for sale	19	**—**	**—**	**—**	(1.6)	—	(1.6)
Currency translation adjustment		**7.3**	**0.6**	**7.9**	10.6	—	10.6
At 31 December 2013		**841.5**	**147.7**	**989.2**	531.6	—	531.6

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests, which are expected to be incurred up to 2035. A review of all decommissioning estimates was undertaken by an independent specialist at the start of 2013 which has been assessed and updated internally for the purposes of the 2013 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.

Other provisions include a liability acquired through the acquisition of Spring (note 9) which is contingent in terms of timing and amount on the development of the PL407 licence in Norway. Other provisions also include the contingent consideration in respect of the Spring acquisition (note 9). The amount recorded on acquisition was $104.5 million and subsequent information provided through drilling results during 2013 has resulted in a net uplift of the provision to $131.2 million, which includes a specific write-off of $41.2 million in relation to the Mantra well result in Norway (note 12).

Note 25. Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Other timing differences $m	Deferred PRT $m	Total $m
At 1 January 2012	(1,151.1)	52.6	1.3	104.4	1.0	(991.8)
(Charge)/credit to income statement	(36.5)	11.1	(0.8)	(44.7)	2.3	(68.6)
Credit to other comprehensive income	—	—	0.1	—	—	0.1
Exchange differences	(14.2)	3.9	—	(0.8)	—	(11.1)
At 1 January 2013	**(1,201.8)**	**67.6**	**0.6**	**58.9**	**3.3**	**(1,071.4)**
(Charge)/credit to income statement	**(185.4)**	**66.5**	**(0.2)**	**23.8**	**3.8**	**(91.5)**
Acquisition of subsidiary	**(412.0)**	**—**	**—**	**(11.6)**	**—**	**(423.6)**
Credit to other comprehensive income	**—**	**—**	**0.1**	**—**	**—**	**0.1**
Exchange differences	**(2.2)**	**3.3**	**—**	**(1.9)**	**0.3**	**(0.5)**
At 31 December 2013	**(1,801.4)**	**137.4**	**0.5**	**69.2**	**7.4**	**(1,586.9)**

	2013 $m	2012 $m
Deferred tax liabilities	**(1,588.0)**	(1,076.3)
Deferred tax assets	**1.1**	4.9
	(1,586.9)	(1,071.4)

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 26. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	$m	$m
Ordinary shares of 10 pence each			
At 1 January 2012	904,915,249	146.2	551.8
Issued during the year			
—Shares issued	224,955	—	4.9
—Exercise of share options	2,623,123	0.4	28.1
At 1 January 2013	**907,763,327**	**146.6**	**584.8**
Issued during the year			
—Exercise of share options	**2,208,614**	**0.3**	**18.4**
At 31 December 2013	**909,971,941**	**146.9**	**603.2**

The Company does not have an authorised share capital.

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 27. Non-controlling interest

	2013 $m	2012 $m
At 1 January	**92.4**	75.6
Share of profit for the year	**47.1**	41.9
Distribution to non-controlling interests	**(16.0)**	(25.1)
At 31 December	**123.5**	92.4

The non-controlling interest relates to Tulipe Oil SA, where the Group has a 50% controlling shareholding.

Note 28. Share-based payments

Reconciliation of share-based payment charge

	Notes	2013 $m	2012 $m
2005 Performance Share Plan		**24.3**	20.5
2005 Deferred Share Bonus Plan		**2.6**	2.1
2010 Share Option Plan and 2000 Executive Share Option Scheme		**37.1**	24.8
UK & Irish Share Incentive		**0.6**	0.5
Total share-based payment charge		**64.6**	47.9
Capitalised to intangible and tangible assets		**23.3**	15.3
Expensed to operating costs	4	**1.8**	2.0
Expensed as administrative cost	4	**39.5**	30.6
Total share-based payment charge		**64.6**	47.9

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant). Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition, 50% (70% for awards granted to Directors in 2013 and 2012) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2013 and 2012) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 98 to 115.

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.

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 companies over three years following grant.

Options outstanding at 31 December 2013 had exercise prices of 103p to 1530p (2012: 85p to 1530p) and remaining contractual lives of one to ten years.

During the year phantom options were granted to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares (‘Partnership Shares’) at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares (‘Matching Shares’) on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest when they are awarded (so that their accounting charge is not spread beyond the year in which they are awarded).

The following table illustrates the number and average weighted share price (“WAEP”) at grant or weighted average exercise price of, and movements in, share options under the PSP, DSBP and 2010 SOP / 2000 ESOS.

	Outstanding as at 1 January	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2013 PSP—number of shares	**7,827,674**	**3,401,894**	**(778,239)**	**(1,058,566)**	**9,392,763**	**1,570,819**
2013 PSP—average weighted share price at grant	**1235.7**	**1227.8**	**874.5**	**1288.9**	**1256.8**	**898.6**
2012 PSP—number of shares	5,857,534	2,377,392	(395,002)	(12,250)	7,827,674	
2012 PSP—average weighted share price at grant	1116.0	1461.7	818.5	1314.7	1235.7	
2013 DSBP—number of shares	**518,403**	**150,508**	**(165,687)**	**—**	**503,224**	**136,624**
2013 DSBP—average weighted share price at grant	**1125.2**	**1241.0**	**873.5**	**—**	**1242.7**	**924.8**
2012 DSBP—number of shares	367,877	150,526	—	—	518,403	
2012 DSBP—average weighted share price at grant	980.0	1480.0	—	—	1125.2	
2013 SOP/ESOS—number of shares	**15,473,354**	**7,407,454**	**(1,451,533)**	**(3,299,976)**	**18,129,299**	**5,001,028**
2013 SOP/ESOS—WAEP	**1024.0**	**1207.1**	**275.5**	**1290.5**	**1109.2**	**566.2**
2012 SOP/ESOS—number of shares	14,723,518	3,667,026	(2,228,121)	(689,069)	15,473,354	6,194,510
2012 SOP/ESOS—WAEP	845.0	1494.6	555.7	1244.9	1024.0	465.7

2013 Phantoms—number of phantom shares	**—**	**2,442,849**	**—**	**(25,342)**	**2,417,507**	**2,417,507**
2013 Phantoms—WAEP	**—**	**1274.5**	**—**	**1270.7**	**1274.5**	**1274.5**
2012 Phantoms—number of phantom shares	—	—	—	—	—	—
2012 Phantoms—WAEP	—	—	—	—	—	—

The options granted during the year were valued using a Monte Carlo simulation model for the PSP awards and a proprietary binomial valuation model for awards under the DSBP and 2010 SOP.

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2013 PSP	2012 PSP	2013 DSBP	2012 DSBP	2013 SOP/ESOS[(1)]	2012 SOP/ESOS
Weighted average fair value of awards granted	**438.9p**	748.6p	**1205.4p**	1444.4p	**319.5p**	619.8p
Weighted average share price at exercise for awards exercised	**1079.7p**	1430.7p	**1066.0p**	—	**1037.7p**	1470.0p
Principal inputs to options valuations model:						
Weighted average share price at grant	**1227.8p**	1461.7	**1241.0p**	1480.0p	**1120.3p**	1477.4p
Weighted average exercise price	**0.0p**	0.0p	**0.0p**	0.0p	**1223.7p**	1494.6p
Risk-free interest rate per annum	**0.4%**	0.6%	**0.4%**	0.6%	**1.0 - 1.7%**	0.5 - 1.0%
Expected volatility per annum[(2)]	**35%**	36%	**35%**	36%	**33 - 34%**	46 - 48%
Expected award life (years)[(3)]	**3.0**	3.0	**3.0**	3.0	**4.4**	4.3
Dividend yield per annum	**1.0%**	0.8%	**1.0%**	0.8%	**1.0 - 1.4%**	0.8 - 0.9%
Employee turnover before vesting per annum[(4)]	**5% / 0%**	5% / 0%	**0%**	0%	**5%**	5%

1. Includes the replacement phantom awards made during 2013, which, as cash-settled awards, have been measured as at the accounting date.

2. 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.

3. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

4. Zero turnover is assumed for PSP awards made to Directors, 5% for PSP awards to senior employees.

Note 29. Commitments and contingencies

		2013 $m	2012 $m
Capital commitments		**2,737.7**	580.3
Operating lease commitments			
Due within one year		**21.4**	10.6
After one year but within two years		**13.2**	7.8
After two years but within five years		**25.0**	21.6
Due after five years		**64.2**	70.1
		123.8	110.1
Contingent liabilities			
Performance guarantees		**183.5**	154.9
Ugandan CGT		**399.0**	—
Recoverable security received from Heritage Oil and Gas Limited	15	**345.8**	—
Other contingent liabilities		**6.5**	—
		934.8	154.9

The increase in capital commitments from 2012 is largely as result of the TEN project in Ghana, where the FPSO lease has been entered into along with other key service and construction contracts in respect of field development. Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share.

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.

Based on advice from external counsel management have determined that there is a possible chance (less than 50% but greater than 5%) that both Ugandan Tax Tribunal and International Arbitration will not award in Tullow's favour. The current best estimate of the potential exposure is $399 million.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Note 30. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24—Related Party Disclosures.

	2013 $m	2012 $m
Short-term employee benefits	**9.9**	9.1
Post-employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**4.1**	2.9
Share-based payments	**11.2**	9.5
	26.3	22.6

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2—Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' Remuneration Report on pages 98 to 115.

Note 31. Subsequent events

Since the balance sheet date Tullow has continued its exploration and appraisal, development and portfolio management activities.

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources in this basin to over 600 mmbo.

On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

Note 32. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $15.8 million (2012: $13.1 million). As at 31 December 2013, there was a liability of $1.1 million (2012: $0.8 million) for contributions payable included in creditors.

Company balance sheet

As at 31 December 2013

	Notes	2013 $m	2012 $m
Fixed assets			
Investments	1	**3,851.4**	2,997.2
		3,851.4	2,997.2
Current assets			
Debtors	4	**3,602.6**	2,836.5
Cash at bank		**0.9**	39.3
		3,603.5	2,875.8
Creditors—amounts falling due within one year			
Trade and other creditors	5	**(181.9)**	(411.4)
		(181.9)	(411.4)
Net current assets		**3,421.6**	2,464.4
Total assets less current liabilities		**7,273.0**	5,461.6
Creditors—amounts falling due after more than one year			
Borrowings	6	**(1,995.0)**	(1,173.6)
Loans from subsidiary undertakings	7	**(1.3)**	(1.1)
Net assets		**5,276.7**	4,286.9
Capital and reserves			
Called up equity share capital	8	**146.9**	146.6
Share premium account	8	**603.2**	584.8
Other reserves	10	**850.8**	850.8
Profit and loss account	9	**3,675.8**	2,704.7
Shareholders' funds	9	**5,276.7**	4,286.9

Approved by the Board and authorised for issue on 11 February 2014.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Company accounting policies

As at 31 December 2013

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (UK GAAP). The Financial Statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 408 of the Companies Act, the profit and loss account of the Company is not presented separately. During the year the Company made a profit of $1,087.0 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 129.

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 2013 Annual Report and Accounts.

(b) 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.

(c) 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.

(d) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Share issue expenses

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

(f) 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 borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the 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.

(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.

The Company has equity-settled and cash-settled share-based awards 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.

Notes to the Company financial statements

Year ended 31 December 2013

Note 1. Investments

	2013 $m	2012 $m
Shares at cost in subsidiary undertakings	**3,850.4**	2,996.2
Unlisted investments	**1.0**	1.0
	3,851.4	2,997.2

During 2013 an impairment of $96.0 million (2012: $366.1 million) was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. A further reduction of $nil million (2012: $1,484.7 million) was recognised in respect of repayment of investments by dividends paid to the Company. This was partially offset by an increase of investment in the Company's directly held subsidiaries.

Principal subsidiary undertakings

At 31 December 2013 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
Tullow Oil Finance Limited	100	United Kingdom	England & Wales
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 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 Oil Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow 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 has a majority of the voting rights on the board of Tulipe Oil SA and is therefore deemed to control Tulipe Oil SA in accordance with FRS 2.

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Note 2. Dividends

	2013 $m	2012 $m
Declared and paid during year		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**110.6**	115.4
Interim dividend for 2013: 4 pence (2012: 4 pence) per ordinary share	**56.8**	57.8
Dividends paid	**167.4**	173.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2013: 8 pence (2012: 8 pence)	**120.0**	117.4

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 $396.0 million (2012: $448.2 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $nil million (2012: $nil million) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 4. Debtors

Amounts falling due within one year

	2013 $m	2012 $m
Other debtors	**0.2**	5.2
Due from subsidiary undertakings	**3,602.4**	2,831.3
	3,602.6	2,836.5

The amounts due from subsidiary undertakings include $2,323.2 million (2012: $1,889.1 million) that incurs interest at LIBOR plus 0.875% - 5.95%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of nil (2012: $78.1 million) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 5. Trade and other creditors

Amounts falling due within one year

	2013 $m	2012 $m
Other creditors	**5.4**	11.1
Accruals	**0.8**	1.1
Due to subsidiary undertakings	**175.7**	399.2
	181.9	411.4

Note 6. Borrowings

	2013 $m	2012 $m
Non-current		

Term loans repayable		
—After one year but within two years	**—**	—
—After two years but within five years	**445.0**	621.1
—After five years	**906.0**	552.5
Senior notes due 2020	**644.0**	—
	1,995.0	1,173.6
Carrying value of total borrowings	**1,995.0**	1,173.6
Accrued interest and unamortised fees	**107.0**	145.1
External borrowings	**2,102.0**	1,318.7

Term loans and most guarantees are secured by fixed and floating charges over the oil and gas assets of the Group Financial Statements.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2013 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Fixed rate debt	**(650.0)**	**—**	**—**	**—**	**(650.0)**
Floating rate debt	**(1,277.2)**	**—**	**(174.8)**	**—**	**(1,452.0)**
Amounts due from subsidiaries at 7.2%	**2,255.8**	**—**	**67.4**	**—**	**2,323.2**
Cash at bank at floating interest rate	**0.1**	**—**	**0.8**	**—**	**0.9**
Net cash/(debt)	**328.7**	**—**	**(106.6)**	**—**	**222.1**

The profile at 31 December 2012 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Fixed rate debt	(50.0)	—	—	—	(50.0)
Floating rate debt	(1,097.1)	—	(171.6)	—	(1,268.7)
Amounts due to subsidiaries at LIBOR + 3.6%	(113.8)	—	—	—	(113.8)
Cash at bank at floating interest rate	25.6	13.3	—	0.4	39.3
Amounts due from subsidiaries at LIBOR + 3.7%	1,823.9	—	—	65.2	1,889.1
Net cash/(debt)	588.6	13.3	(171.6)	65.6	495.9

The $3.5 billion Reserves Based Lending credit facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 29 November 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In November 2013 the Company completed an offering of $650 million aggregate principal amount of 6% senior notes due 2020. Interest on the notes is payable semi-annually. The notes, whose net proceeds were used to repay certain existing indebtedness under the Company's credit facilities (but not cancel commitments under such facilities) are senior obligations of the Company and guaranteed by certain of the Company's subsidiaries.

At the end of December 2013, the headroom under the two facilities amounted to $2,403 million; $1,903 million under the $3.5 billion Reserves Based Lending credit facility and $500 million under the Revolving credit facility. At the end of December 2012, the headroom under the facilities amounted to $2,202 million; $1,702 million under the Reserves Based Lending credit facility and $500 million under the Revolving credit facility.

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2013 is a liability of $2.3 million (2012: $2.9 million liability). Interest rate hedges are included in fixed rate debt in the above table.

As at 31 December 2013, the only material monetary assets or liabilities of the Company that were not denominated in its functional currency were £106.0 million cash drawings under the Company's borrowing facilities (2012: £106.0 million).

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $174.8 million (2012: net liabilities of $171.6 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to currency fluctuations against the US dollar. The Company measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses 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 2013, a 20% increase in foreign exchange rates against the US dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of $29.1 million (2012: $28.5 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $35.0 million (2012: $34.3 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2013 $m	2012 $m
Loans from subsidiary companies	**1.3**	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 2012	904,915,249	146.2	551.8
Issues during the year			
—Shares issued	224,955	—	4.9
—Exercise of share options	2,623,123	0.4	28.1
At 1 January 2013	**907,763,327**	**146.6**	**584.8**
Issues during the year			
—Exercise of share options	**2,208,614**	**0.3**	**18.4**
At 31 December 2013	**909,971,941**	**146.9**	**603.2**

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 2012	146.2	551.8	850.8	2,277.2	3,826.0
Total recognised income and expense for the year	—	—	—	561.9	561.9
Issue of share capital	—	4.9	—	—	4.9
New shares issued in respect of employee share options	0.4	28.1	—	—	28.5
Vesting of PSP shares	—	—	—	(9.1)	(9.1)
Share-based payment charges	—	—	—	47.9	47.9
Dividends paid	—	—	—	(173.2)	(173.2)
At 1 January 2013	**146.6**	**584.8**	**850.8**	**2,704.7**	**4,286.9**
Total recognised income and expense for the year	**—**	**—**	**—**	**1,087.0**	**1,087.0**
New shares issued in respect of employee share options	**0.3**	**18.4**	**—**	**—**	**18.7**
Vesting of PSP shares	**—**	**—**	**—**	**(12.7)**	**(12.7)**

Share-based payment charges	—	—	—	64.2	64.2
Dividends paid	—	—	—	(167.4)	(167.4)
At 31 December 2013	**146.9**	**603.2**	**850.8**	**3,675.8**	**5,276.7**

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 10. Other reserves

	Merger reserve $m	Treasury shares $m	Foreign currency translation reserve $m	Total $m
At 1 January 2013 and 31 December 2013	**671.6**	**193.4**	**(14.2)**	**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.

Note 11. Subsequent events

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

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources is this basin to over 600 mmbo.

On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

Five year financial summary

	2013 $m	2012 $m	*Restated 2011 $m	*Restated 2010 $m	*Restated 2009 $m
Group income statement					
Sales revenue	**2,646.9**	2,344.1	2,304.2	1,089.8	915.9
Cost of sales	**(1,206.5)**	(999.3)	(930.8)	(584.1)	(608.0)
Gross profit	**1,440.4**	1,344.8	1,373.4	505.7	307.9
Administrative expenses	**(218.5)**	(191.2)	(122.8)	(89.6)	(77.6)
Profit on disposal	**29.5**	702.5	2.0	0.5	20.9
Exploration costs written off	**(870.6)**	(670.9)	(120.6)	(154.7)	(82.7)
Operating profit	**380.8**	1,185.2	1,132.0	261.9	168.5
(Loss)/profit on hedging instruments	**(19.7)**	(19.9)	27.2	(27.7)	(59.8)
Finance revenue	**43.7**	9.6	36.6	15.1	2.1
Finance costs	**(91.6)**	(59.0)	(122.9)	(70.1)	(60.8)
Profit from continuing activities before taxation	**313.2**	1,115.9	1,072.9	179.2	50.0
Taxation	**(97.1)**	(449.7)	(383.9)	(89.7)	(1.9)
Profit for the year from continuing activities	**216.1**	666.2	689.0	89.5	48.1
Earnings per share					
Basic—¢	**18.6**	68.8	72.5	8.1	5.4
Diluted—¢	**18.5**	68.4	72.0	8.0	5.3
Dividends paid	**167.4**	173.2	114.2	79.2	75.3
Group balance sheet					
Non-current assets	**9,439.3**	8,087.6	9,463.5	7,077.0	4,372.8
Net current assets/(liabilities)	**637.0**	65.4	(361.2)	(150.2)	139.9
Total assets less current liabilities	**10,076.3**	8,153.0	9,102.3	6,926.8	4,512.7
Long-term liabilities	**(4,629.9)**	(2,831.4)	(4,336.3)	(3,023.4)	(2,064.2)
Net assets	**5,446.4**	5,321.6	4,766.0	3,903.4	2,448.5
Called up equity share capital	**146.9**	146.6	146.2	143.5	130.1
Share premium	**603.2**	584.8	551.8	251.5	242.3
Foreign currency translation reserve	**(155.1)**	(167.8)	(175.5)	(141.0)	(129.6)
Hedge reserve	**2.3**	(6.5)	(14.3)	(25.7)	3.2
Other reserves	**740.9**	740.9	740.9	740.9	740.9
Retained earnings	**3,984.7**	3,931.2	3,441.3	2,873.6	1,419.5
Equity attributable to equity holders of the parent	**5,322.9**	5,229.2	4,690.4	3,842.8	2,406.4
Non-controlling interest	**123.5**	92.4	75.6	60.6	42.1
Total equity	**5,446.4**	5,321.6	4,766.0	3,903.4	2,448.5

* The 2011 figures have been restated to reflect the adjustment to business combination fair values. The 2010 and 2009 comparatives have been restated due to a change in the inventory accounting policy.

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	Ian Springett
Chief Executive Officer	*Chief Financial Officer*
12 February 2013	12 February 2013

INDEPENDENT AUDITOR'S REPORT
to the members of Tullow Oil plc

We have audited the Group financial statements of Tullow Oil plc for the year ended 31 December 2012 which comprise the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement, the accounting policies and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- Certain disclosures of Directors' remuneration specified by law are not made; or

- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Directors' report in relation to going concern;

- The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.

Carl D Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

12 February 2013

Group income statement

Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Continuing activities			
Sales revenue	2	**2,344.1**	2,304.2
Cost of sales		**(999.3)**	(930.8)
Gross profit		**1,344.8**	1,373.4
Administrative expenses		**(191.2)**	(122.8)
Profit on disposal	9	**702.5**	2.0
Exploration costs written off	10	**(670.9)**	(120.6)
Operating profit	3	**1,185.2**	1,132.0
(Loss)/gain on hedging instruments	20	**(19.9)**	27.2
Finance revenue	2	**9.6**	36.6
Finance costs	5	**(59.0)**	(122.9)
Profit from continuing activities before tax		**1,115.9**	1,072.9
Income tax expense	6	**(449.7)**	(383.9)
Profit for the year from continuing activities		**666.2**	689.0
Attributable to:			
Owners of the parent		**624.3**	649.0
Non-controlling interest	25	**41.9**	40.0
		666.2	689.0
Earnings per ordinary share from continuing activities	8	**¢**	¢
Basic		**68.8**	72.5
Diluted		**68.4**	72.0

Group statement of comprehensive income and expense

Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Profit for the year		**666.2**	689.0
Cash flow hedges			
Losses arising in the year	20	**(3.3)**	(6.7)
Reclassification adjustments for items included in profit on realisation	20	**11.0**	15.2
		7.7	8.5
Exchange differences on translation of foreign operations		**7.7**	(34.5)
Other comprehensive income/(expense)		**15.4**	(26.0)
Tax relating to components of other comprehensive income	20	**0.1**	2.9
Other comprehensive income/(expense) for the year		**15.5**	(23.1)
Total comprehensive income for the year		**681.7**	665.9
Attributable to:			
Owners of the parent		**639.8**	625.9
Non-controlling interest		**41.9**	40.0
		681.7	665.9

Group balance sheet

As at 31 December 2012

	Notes	2012 $m	*Restated 2011 $m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	10	**2,977.1**	5,529.7
Property, plant and equipment	11	**4,407.9**	3,580.3
Investments	12	**1.0**	1.0
Other non-current assets	15	**696.7**	313.5
Deferred tax assets	22	**4.9**	39.0
		8,087.6	9,463.5
Current assets			
Inventories	13	**163.7**	225.7
Trade receivables	14	**238.7**	272.4
Other current assets	15	**416.6**	360.2
Current tax assets		**28.6**	7.0
Cash and cash equivalents	16	**330.2**	307.1
Assets classified as held for sale	17	**116.4**	—
		1,294.2	1,172.4
Total assets		**9,381.8**	10,635.9
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(848.1)**	(1,119.6)
Other financial liabilities	19	**—**	(217.8)
Current tax liabilities		**(292.4)**	(153.8)
Derivative financial instruments	20	**(39.4)**	(42.4)
Liabilities directly associated with assets classified as held for sale	17	**(48.9)**	—
		(1,228.8)	(1,533.6)
Non-current liabilities			
Trade and other payables	18	**(30.6)**	(2.4)
Other financial liabilities	19	**(1,173.6)**	(2,858.1)
Deferred tax liabilities	22	**(1,076.3)**	(1,030.8)
Provisions	22	**(531.6)**	(440.8)
Derivative financial instruments	20	**(19.3)**	(4.2)
		(2,831.4)	(4,336.3)
Total liabilities		**(4,060.2)**	(5,869.9)
Net assets		**5,321.6**	4,766.0
EQUITY			
Called up share capital	23	**146.6**	146.2
Share premium	23	**584.8**	551.8
Other reserves	24	**566.6**	551.1
Retained earnings		**3,931.2**	3,441.3
Equity attributable to equity holders of the parent		**5,229.2**	4,690.4
Non-controlling interest	25	**92.4**	75.6
Total equity		**5,321.6**	4,766.0

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

Approved by the Board and authorised for issue on 12 February 2013.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Group statement of changes in equity

Year ended 31 December 2012

	Share capital $m	Share premium $m	Other reserves (note 24) $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
At 1 January 2011	143.5	251.5	574.2	2,873.6	3,842.8	60.6	3,903.4
Total recognised income and expense for the year	—	—	(23.1)	649.0	625.9	40.0	665.9
Issue of equity shares (note 23)	2.2	285.5	—	—	287.7	—	287.7
New shares issued in respect of employee share options	0.5	14.8	—	—	15.3	—	15.3
Vesting of PSP shares	—	—	—	(0.1)	(0.1)	—	(0.1)
Share-based payment charges	—	—	—	33.0	33.0	—	33.0
Dividends paid (note 7)	—	—	—	(114.2)	(114.2)	—	(114.2)
Distribution to minority shareholders (note 25)	—	—	—	—	—	(25.0)	(25.0)
At 1 January 2012	**146.2**	**551.8**	**551.1**	**3,441.3**	**4,690.4**	**75.6**	**4,766.0**
Total recognised income and expense for the year	**—**	**—**	**15.5**	**624.3**	**639.8**	**41.9**	**681.7**
Issue of equity shares (note 23)	**—**	**4.9**	**—**	**—**	**4.9**	**—**	**4.9**
New shares issued in respect of employee share options	**0.4**	**28.1**	**—**	**—**	**28.5**	**—**	**28.5**
Vesting of PSP shares	**—**	**—**	**—**	**(9.1)**	**(9.1)**	**—**	**(9.1)**
Share-based payment charges	**—**	**—**	**—**	**47.9**	**47.9**	**—**	**47.9**
Dividends paid (note 7)	**—**	**—**	**—**	**(173.2)**	**(173.2)**	**—**	**(173.2)**
Distribution to minority shareholders (note 25)	**—**	**—**	**—**	**—**	**—**	**(25.1)**	**(25.1)**
At 31 December 2012	**146.6**	**584.8**	**566.6**	**3,931.2**	**5,229.2**	**92.4**	**5,321.6**

Group cash flow statement

Year ended 31 December 2012

	Notes	2012 $m	2011 $m
Cash flows from operating activities			
Profit before taxation		**1,115.9**	1,072.9
Adjustments for:			
Depletion, depreciation and amortisation		**561.9**	533.8
Impairment loss		**31.3**	51.0
Impairment reversal		**—**	(17.4)
Exploration costs written off		**670.9**	120.6
Profit on disposal		**(702.5)**	(2.0)
Decommissioning expenditure		**(2.4)**	(14.2)
Share-based payment charge		**32.6**	28.5
Loss/(gain) on hedging instruments		**19.9**	(27.2)
Finance revenue		**(9.6)**	(36.6)
Finance costs		**59.0**	122.9
Operating cash flow before working capital movements		**1,777.0**	1,832.3
Increase in trade and other receivables		**(11.3)**	(91.9)
Decrease/(increase) in inventories		**11.3**	(43.8)
Increase in trade payables		**7.5**	206.5
Cash generated from operations		**1,784.5**	1,903.1
Income taxes paid		**(264.1)**	(171.8)
Net cash from operating activities		**1,520.4**	1,731.3
Cash flows from investing activities			
Disposal of exploration and evaluation assets		**2,568.2**	—
Disposal of oil and gas assets		**0.3**	—
Disposal of other assets		**1.3**	2.4
Purchase of subsidiaries		**—**	(404.0)
Purchase of intangible exploration and evaluation assets		**(1,196.6)**	(1,018.4)
Purchase of property, plant and equipment		**(652.8)**	(635.1)
Finance revenue		**1.3**	13.6
Net cash generated/(used) in investing activities		**721.7**	(2,041.5)
Cash flows from financing activities			
Net proceeds from issue of share capital		**24.5**	86.7
Debt arrangement fees		**(77.2)**	(30.0)
Repayment of bank loans		**(2,407.5)**	(320.0)
Drawdown of bank loan		**565.0**	1,200.0
Repayment of obligations under finance leases		**(1.8)**	(308.4)
Finance costs		**(103.2)**	(210.2)
Dividends paid	7	**(173.2)**	(114.2)
Distribution to minority shareholders	25	**(25.1)**	(25.0)
Net cash (used)/generated by financing activities		**(2,198.5)**	278.9
Net increase/(decrease) in cash and cash equivalents		**43.6**	(31.3)
Cash and cash equivalents at beginning of year		**307.1**	338.3
Cash transferred to held for sale	17	**(18.0)**	—
Foreign exchange (loss)/gain		**(2.5)**	0.1
Cash and cash equivalents at end of year	16	**330.2**	307.1

Accounting policies

Year ended 31 December 2012

(a) General information

Tullow Oil plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 189.

(b) Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted.

Standards not affecting the reported results or the financial position

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

IFRS 7 Financial Instruments: Disclosures (Amendment)

IFRS 7 has been amended to require additional disclosures relating to the transfer of a financial asset when the financial asset is derecognised in its entirety, but the entity has continuing involvement in it and when the financial asset is not derecognised in its entirety.

IAS 12 Income Taxes—Deferred Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been amended to introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless the entity's business model would suggest the investment property will be consumed in the business. The amendment also requires that deferred tax on non-depreciable assets measured using the revaluation model be measured on a sale basis.

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

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

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

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

(c) Changes in accounting policy

Other than the changes to the standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

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

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

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

(e) Basis of consolidation

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

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

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

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

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

Business combinations

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

Joint ventures

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

(f) Non-current assets held for sale

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

(g) Revenue

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

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

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

(h) Over/underlift

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

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

(i) Inventory

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

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

(j) Foreign currencies

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

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

(k) Exploration, evaluation and production assets

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

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

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

(l) Commercial reserves

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

(m) Depletion and amortisation—discovery fields

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

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

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

(n) Decommissioning

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

(o) Property, plant and equipment

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

(p) Finance costs and debt

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

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

(q) Share issue expenses and share premium account

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

(r) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

(s) Pensions

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

(t) Derivative financial instruments

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

Derivative financial instruments are stated at fair value.

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

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

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

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

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

(u) Leases

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

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

(v) Share-based payments

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

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

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

(w) Financial assets

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

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

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(y) Loans and receivables

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

(z) Effective interest method

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

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

(aa) Financial liabilities and equity instruments

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

(ab) Equity instruments

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

(ac) Other financial liabilities

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

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

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible exploration and evaluation assets (note 10);

Where a project is sufficiently advanced the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value and further details on the accounting policy are included in accounting note (k). The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

- Carrying value of property, plant and equipment (note 11);

Management perform impairment tests on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36. Key assumptions in the impairment models relate to prices that are based on forward curves for two years and the long-term corporate assumptions thereafter and discount rates that are risked to reflect conditions specific to individual assets.

- Commercial reserves estimates (note 11);

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 19);

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

- Decommissioning costs (note 22);

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

A review of all decommissioning cost estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2012 financial statements.

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

- Recoverability of deferred tax assets (note 22);

Deferred tax assets are recognised for used tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

- Capital gains tax due on Uganda farm-down (note 9);

On the advice of leading counsel, the Group believes that it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account. The amount of $142 million is included in the Group's tax charge for the year ended 31 December 2012.

- Other tax provisions; and

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such claims in the context of the tax laws of the countries in which it operates and, where applicable, makes provision for any settlements which it considers are probable. The Directors believe that the Group has recorded adequate provisions as of 31 December 2012 and 2011 for all such matters.

- Other non-current assets (note 15).

Recoverability of contingent consideration

The amount of contingent consideration recoverable in respect of the Uganda farm-down is dependent on a number of judgements in respect to the timing of the receipt of certain project approvals. The receivable recorded at the Balance Sheet date is calculated based on the most likely outcome.

Recoverable security paid to Uganda Revenue Authority (URA)

Under the terms of Tullow and Heritage's PSA, Tullow has opened proceedings against Heritage in London to recover the security paid by Tullow as designated agent to the URA. The Directors have exercised judgement in determining the most likely outcome of proceedings against Heritage.

Notes to Group financial statements

Year ended 31 December 2012

Note 1. Segmental reporting

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The reportable segments in accordance with IFRS 8 are the three geographical regions that the Group operates within, being Europe, South America and Asia; West and North Africa; and South and East Africa. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2012 and 31 December 2011.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2012					
Sales revenue by origin	**380.6**	**1,963.5**	**—**	**—**	**2,344.1**
Segment result	**(124.0)**	**974.1**	**(176.2)**	**—**	**673.9**
Profit on disposal					**702.5**
Unallocated corporate expenses					**(191.2)**
Operating profit					**1,185.2**
Loss on hedging instruments					**(19.9)**
Finance revenue					**9.6**
Finance costs					**(59.0)**
Profit before tax					**1,115.9**
Income tax expense					**(449.7)**
Profit after tax					**666.2**
Total assets	**1,868.0**	**5,148.3**	**2,185.6**	**179.9**	**9,381.8**
Total liabilities	**(999.4)**	**(1,531.9)**	**(285.1)**	**(1,243.8)**	**(4,060.2)**
Other segment information					
Capital expenditure:					
Property, plant and equipment	**136.3**	**626.5**	**1.5**	**29.8**	**794.1**
Intangible exploration and evaluation assets	**246.1**	**512.2**	**582.6**	**—**	**1,340.9**
Depletion, depreciation and amortisation	**(178.4)**	**(360.2)**	**(1.2)**	**(22.1)**	**(561.9)**
Impairment losses recognised in income statement	**—**	**(31.3)**	**—**	**—**	**(31.3)**
Exploration costs written off	**(173.9)**	**(320.9)**	**(176.1)**	**—**	**(670.9)**

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately $1,098.0 million (2011: $1,036.0 million) which arose from sales to the Group's largest customers.

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area. The liabilities comprise the Group's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprised the acquisition of non-attributable corporate assets.

	Europe, South America and Asia $m	West and North Africa $m	South and East Africa $m	Unallocated $m	Total $m
2011(restated*)					
Sales revenue by origin	360.2	1,944.0	—	—	2,304.2
Segment result	31.9	1,216.7	4.2	—	1,252.8
Profit on disposal					2.0
Unallocated corporate expenses					(122.8)
Operating profit					1,132.0
Gain on hedging instruments					27.2
Finance revenue					36.6
Finance costs					(122.9)
Profit before tax					1,072.9

Income tax expense					(383.9)
Profit after tax					689.0
Total assets	1,791.9	4,745.1	3,977.6	121.3	10,635.9
Total liabilities	(922.5)	(1,202.8)	(565.5)	(3,179.1)	(5,869.9)
Other segment information					
Capital expenditure:					
Property, plant and equipment	92.7	638.6	0.8	31.8	763.9
Intangible exploration and evaluation assets	171.9	482.5	535.6	—	1,190.0
Acquisition of subsidiaries (note 9)	965.5	—	—	—	965.5
Depletion, depreciation and amortisation	(170.1)	(344.3)	(0.4)	(19.0)	(533.8)
Impairment losses recognised in income statement	—	(51.0)	—	—	(51.0)
Exploration costs written off	(39.7)	(85.9)	5.0	—	(120.6)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

Sales revenue by origin	2012 $m	2011 $m
Ghana	**958.6**	930.3
Equatorial Guinea	**330.7**	372.5
Côte d'Ivoire	**74.4**	79.2
Gabon	**482.2**	447.1
Congo	**73.3**	80.9
Mauritania	**44.3**	34.0
Total Africa(1)	**1,963.5**	1,944.0
UK	**219.4**	272.0
Netherlands	**142.3**	67.4
Total Europe	**361.7**	339.4
Pakistan	**0.2**	1.0
Bangladesh	**18.7**	19.8
Total Asia	**18.9**	20.8
Total revenue	**2,344.1**	2,304.2

(1) Total Africa represents total revenue from West and North Africa as currently there is no production from South and East Africa.

Non-current assets by origin	2012 $m	*Restated 2011 $m
Ghana(1)	**3,093.0**	2,643.3
Uganda(2)	**1,713.8**	3,620.1
Mauritania(1)	**377.4**	412.5
Other	**1,220.1**	1,116.2
Total Africa	**6,404.3**	7,792.1
UK	**404.1**	390.4
Netherlands	**860.3**	871.8
Total Europe	**1,264.4**	1,262.2
Total Asia	**—**	59.9
Total South America	**297.0**	244.4
Unallocated	**121.9**	104.9
Total Non-current assets	**8,087.6**	9,463.5

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

(1) Included within the West and North Africa region.

(2) Included within the South and East Africa region.

Year ended 31 December 2012

Note 2. Total revenue

	2012 $m	2011 $m
Sales revenue (excluding tariff income)		
Oil and gas revenue from the sale of goods	**2,405.7**	2,359.9
Loss on realisation of cash flow hedges	**(77.0)**	(69.8)
	2,328.7	2,290.1
Tariff income	**15.4**	14.1
Total sales revenue	**2,344.1**	2,304.2
Finance revenue	**9.6**	36.6
Total revenue	**2,353.7**	2,340.8

Included within 2011 finance revenue is a $22.3 million gain on cancellation of a finance lease, see note 21.

Note 3. Operating profit

	2012 $m	2011 $m
Operating profit is stated after charging/(crediting):		
Staff costs (see note 4)	**64.6**	42.9
Depletion and amortisation	**536.7**	513.6
Impairment of property, plant and equipment	**31.3**	51.0
Impairment reversal	**—**	(17.4)
Depreciation of other fixed assets	**25.2**	20.2
Exploration write off	**670.9**	120.6
Share-based payment charge (including provisions for NI)	**32.6**	28.5
Operating lease rentals	**13.6**	7.0
Auditor's remuneration (see below)	**3.3**	2.6

	2012 $m	2011 $m
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**0.2**	0.2
The audit of the Company's subsidiaries pursuant to legislation	**1.7**	1.4
Total audit services	**1.9**	1.6
Non-audit services:		
Audit related assurance services—half-year review	**0.4**	0.3
Other assurance services	**0.1**	0.1
Tax compliance services	**0.2**	0.1
Information technology services	**0.1**	0.1
Corporate finance services	**—**	0.1
Other services	**0.6**	0.3
Total non-audit services	**1.4**	1.0
Total	**3.3**	2.6

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Tax advisory services include assistance in connection with enquiries from local fiscal authorities. Information technology services includes IT security analysis and assistance provided to management in the selection of new systems. The auditor is not involved in the design or implementation of IT systems.

Other services include assistance to management in assessing changes to the finance function resulting from the Group's expansion and subscription fees for upstream data.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 93 to 95. No services were provided pursuant to contingent fee arrangements.

Note 4. Staff costs

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

	2012 Number	2011 Number
Administration	**615**	643
Technical	**738**	410
Total	**1,353**	1,053

Staff costs in respect of those employees were as follows:

	2012 $m	2011 $m
Salaries	**226.4**	198.9
Social security costs	**12.4**	17.2
Pension costs	**13.1**	10.1
	251.9	226.2

A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets. The net staff costs recognised in administrative expenses were $64.6 million (2011: $42.9 million).

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

Note 5. Finance costs

	2012 $m	2011 $m
Interest on bank overdrafts and loans	**94.8**	144.0
Interest on obligations under finance leases	**1.8**	44.3
Total borrowing costs	**96.6**	188.3
Less amounts included in the cost of qualifying assets (note 10)	**(67.2)**	(128.8)
	29.4	59.5
Finance and arrangement fees	**9.3**	35.5
Foreign exchange losses	**—**	7.0
Unwinding of discount on decommissioning provision (note 22)	**20.3**	20.9
	59.0	122.9

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.68% (2011: 4.05%) to cumulative expenditure on such assets.

Note 6. Taxation on profit on ordinary activities

(a) Analysis of charge in period

The tax charge comprises:

	2012 $m	2011 $m
Current tax		
UK corporation tax	**10.1**	37.4
Foreign tax(1)	**360.2**	137.4
Total corporate tax	**370.3**	174.8
UK petroleum revenue tax	**10.8**	11.6
Total current tax	**381.1**	186.4
Deferred tax		
UK corporation tax	**17.3**	15.2
Foreign tax	**53.6**	185.7
Total deferred corporate tax	**70.9**	200.9
Deferred UK petroleum revenue tax	**(2.3)**	(3.4)
Total deferred tax (note 22)	**68.6**	197.5
Total tax expense	**449.7**	383.9

(1) Included in 2012 foreign current tax is $142 million CGT paid in respect of the Uganda farm-down (note 9).

(b) Factors affecting tax charge for period

The tax rate applied to profit on ordinary activities in preparing the reconciliation below is the UK corporation tax rate applicable to the Group's non-upstream UK profits.

The difference between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 24% (2011: 26%) to the profit before tax is as follows:

	2012 $m	2011 $m
Group profit on ordinary activities before tax	**1,115.9**	1,072.9
Tax on Group profit on ordinary activities at the standard UK corporation tax rate of 24% (2011: 26%)	**267.8**	279.0

Effects of:		
Expenses not deductible for tax purposes	**86.6**	69.7
Utilisation of tax losses not previously recognised	**—**	(20.9)
Net losses not recognised	**129.1**	21.3
Petroleum revenue tax (PRT)	**8.5**	9.1
UK corporation tax deductions for current PRT	**(5.3)**	(3.0)
Adjustments relating to prior years	**20.8**	(5.8)
Adjustments to deferred tax relating to change in tax rates	**16.5**	18.2
Income taxed at a different rate	**161.2**	82.3
Income not subject to corporation tax	**(235.5)**	(66.0)
Group total tax expense for the year	**449.7**	383.9

Following previous reductions in the main rate of UK corporation tax, on 26 March 2012 additional reductions from 26% to 24% effective from 1 April 2012 and from 24% to 23% from 1 April 2013 were substantively enacted. Draft legislation has also been published for inclusion in the Finance Bill 2013 which further reduces the main tax rate to 21% effective from 1 April 2014. As this change was not substantively enacted at the Balance Sheet date, the rate reduction to 21% is not yet reflected in these financial statements.

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

The Group has tax losses of $1,724.7 million (2011: $1,082.3 million) that are available for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The Group has recognised $49.4 million in deferred tax assets in relation to taxable losses (2011: $117.5 million); this is disclosed net of a deferred tax liability in respect of capitalised interest.

No deferred tax liability is recognised on temporary differences of $30 million (2011: $253 million) relating to unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Note 7. Dividends

	2012 $m	2011 $m
Declared and paid during year		
Final dividend for 2011: 8 pence (2010: 4 pence) per ordinary share	**115.4**	57.7
Interim dividend for 2012: 4 pence (2011: 4 pence) per ordinary share	**57.8**	56.5
Dividends paid	**173.2**	114.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**117.4**	113.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Note 8. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per ordinary share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee and other share options were converted into ordinary shares.

	2012 $m	2011 $m
Earnings		
Net profit attributable to equity shareholders	**624.3**	649.0
Effect of dilutive potential ordinary shares	**—**	—

Diluted net profit attributable to equity shareholders	**624.3**	649.0

	2012 Number	2011 Number
Number of shares		
Basic weighted average number of shares	**906,825,122**	895,676,666
Dilutive potential ordinary shares	**5,555,890**	6,229,785
Diluted weighted average number of shares	**912,381,012**	901,906,451

Note 9. Acquisitions and disposals

Acquisitions of subsidiaries

On 24 May 2011 Tullow announced that it had acquired 100% of Nuon Exploration & Production B.V. ("Nuon") from the Vattenfall Group with an acquisition date of 30 June 2011. The fair values of the identifiable assets and liabilities were reassessed in the first few months of 2012 to reflect additional information which has become available concerning conditions that existed at the date of acquisition in accordance with the provisions of IFRS 3—Business Combinations. The final acquisition fair values of the identifiable assets and liabilities are set out in the below table and the retrospective adjustments to the fair values previously reported are set out in note 33.

	Provisional fair value $m	Adjustments to fair values $m	Final fair value $m
Intangible exploration and appraisal assets	424.1	79.7	**503.8**
Property, plant and equipment	539.6	(77.9)	**461.7**
Trade and other receivables	19.8	—	**19.8**
Trade and other payables	(20.0)	(1.0)	**(21.0)**
Deferred tax liabilities	(472.9)	(0.8)	**(473.7)**
Provisions	(86.6)	—	**(86.6)**
Total consideration satisfied by cash	404.0	—	**404.0**

The purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities of Nuon and therefore no goodwill has been recorded on the acquisition. Deferred tax has been recognised in respect of the fair value adjustments as applicable. Transaction costs in respect of the Nuon acquisition of $1.1 million were recognised in the 2011 income statement. In 2012 Nuon has contributed $142.3 million to Group revenues (2011: $67.6 million) and $15.2 million to the profit of the Group (2011: $3.2 million). Provisions represent the present value of decommissioning costs, which are expected to be incurred up to 2033.

There were no acquisitions involving business combinations in 2012.

Disposal of exploration and evaluation assets

On 21 February 2012 the Group completed the farm-down of one-third of its Uganda interests to both Total and CNOOC ("the partners") for a headline consideration of $2.9 billion. The Ugandan assets are classified as intangible exploration and evaluation assets and therefore the Group has formed an accounting policy under IAS 8 to account for the farm-down, whereby a profit has been recognised on disposal as the difference between total consideration and the net book value of the disposal assets. The following is a reconciliation of the consideration and the value of assets disposed:

	$m
Headline consideration	**2,933.3**
Contingent consideration	**341.3**
Net book value of assets disposed	**(2,573.6)**
Profit on disposal	**701.0**

The contingent consideration represents the fair value of completion statement amounts due from the partners on issue of Final Investment Decision ("FID") in Uganda.

The total cash consideration received was $2.6 billion, with capital gains tax of $142 million being paid directly out of this amount. The $2.6 billion cash consideration received represents headline consideration of $2.9 billion less deposits received in 2011.

In anticipation of the farm-down of the Ugandan assets to CNOOC and Total, the Uganda Revenue Authority (URA) issued an assessment for $473 million in respect of capital gains tax on the transaction. At completion, $142 million was paid to the URA, being 30% of the tax assessed as legally required for an appeal. The assessment denies relief for costs incurred by the Group in the normal course of developing the assets, and excludes certain contractual and statutory reliefs from capital gains tax that the Group maintains are properly allowable. The appeal is scheduled to be heard by the Tax Appeals Tribunal in Kampala later in 2013. On the advice of leading counsel, the Group believes that it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account. The amount of $142 million is included in the Group's tax charge for the year ended 31 December 2012.

Further disposals of oil and gas assets and non-oil and gas assets generating a profit on disposal of $1.5 million were also completed in 2012 (2011: $2.0 million).

Note 10. Intangible exploration and evaluation assets

	2012 $m	***Restated 2011 $m**
At 1 January	**5,529.7**	4,001.2
Acquisition of subsidiaries (note 9)	**—**	503.8
Additions	**1,340.9**	1,190.0
Disposals (note 9)	**(2,573.6)**	—
Amounts written-off	**(670.9)**	(120.6)
Transfer to assets held for sale (note 17)	**(28.4)**	—
Transfer to property, plant and equipment (note 11)	**(625.3)**	—
Currency translation adjustments	**4.7**	(44.7)
At 31 December	**2,977.1**	5,529.7

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Included within 2012 additions is $67.2 million of capitalised interest (2011: $128.8 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is highly likely and advanced appraisal and development is ongoing.

Exploration costs written-off were $670.9 million (2011: $120.6 million), in accordance with the Group's successful efforts accounting policy. This requires that all costs associated with unsuccessful exploration are written-off in the income statement. Write-offs associated with unsuccessful exploration activities during 2012 in Guyana, Ghana, Sierra Leone, Côte d'Ivoire, Suriname, Tanzania, Uganda and new ventures activity and licence relinquishments totalled $300 million. As a result of the Group's review of the exploration asset values on its balance sheet compared with expected near-term work programmes and the relative attractiveness of further investment in these assets an additional write-down of $371 million has been made. The principal elements of these write-downs are: the Odum discovery in Ghana where acreage has been relinquished ($37 million); carried costs for Kudu in Namibia where progress towards commercialisation continues to be delayed ($160 million); undeveloped discoveries in Mauritania ($93 million) and exploration costs to date in Sierra Leone where interest remains, but a hub-class commercial discovery has yet to be made ($50 million).

Note 11. Property, plant and equipment

	Oil and gas assets $m	Other fixed assets $m	Total $m
Cost			
At 1 January 2011	5,102.4	84.6	5,187.0
Additions of subsidiaries (note 9) (*restated)	461.5	0.2	461.7
Additions	728.6	35.3	763.9
Disposals	—	(4.8)	(4.8)
Currency translation adjustments	(58.1)	(3.7)	(61.8)
At 1 January 2012	**6,234.4**	**111.6**	**6,346.0**
Additions	**760.0**	**34.1**	**794.1**
Transfer to assets held for sale (note 17)	**(69.9)**	**—**	**(69.9)**
Transfer from intangible exploration and evaluation assets (note 10)	**625.3**	**—**	**625.3**
Currency translation adjustments	**82.0**	**4.0**	**86.0**
At 31 December 2012	**7,631.8**	**149.7**	**7,781.5**
Depreciation, depletion and amortisation			
At 1 January 2011	(2,173.7)	(38.9)	(2,212.6)
Charge for the year	(513.6)	(20.2)	(533.8)
Impairment loss	(51.0)	—	(51.0)
Impairment reversal	17.4	—	17.4
Disposals	—	3.7	3.7
Currency translation adjustments	8.3	2.3	10.6
At 1 January 2012	**(2,712.6)**	**(53.1)**	**(2,765.7)**
Charge for the year	**(536.7)**	**(25.2)**	**(561.9)**
Impairment loss	**(31.3)**	**—**	**(31.3)**
Transfer to assets held for sale (note 17)	**37.6**	**—**	**37.6**
Currency translation adjustments	**(50.1)**	**(2.2)**	**(52.3)**
At 31 December 2012	**(3,293.1)**	**(80.5)**	**(3,373.6)**
Net book value			
At 31 December 2012	**4,338.7**	**69.2**	**4,407.9**
At 31 December 2011	3,521.8	58.5	3,580.3

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The 2012 additions did not include capitalised interest (2011: $nil). The carrying amount of the Group's oil and gas assets includes an amount of $37.4 million (2011: $nil) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment.

During the year, the TEN project in Ghana was transferred from contingent resources to commercial reserves following submission of the Plan of Development to the Government of Ghana. As a result, the $599.9 million of costs associated with the project was transferred from intangible exploration and evaluation assets to oil and gas assets. The remainder of the transfers from intangible exploration and evaluation assets relate to the sanction of the Katy project and drilling of the Ketch SW flank in the UK.

The 2012 impairment loss relates to the M'Boundi field in Congo (2011: M'Boundi). The recoverable amount was determined by estimating its value in use. In calculating this impairment, management used a production profile based on proven and probable reserves estimates and a range of assumptions, including an oil price assumption equal to the forward curve in 2013 and 2014 and $90 per barrel (2011: $80 per barrel) thereafter and a post-tax discount rate assumption of 10% (the M'Boundi field operates in a Production Sharing Contract regime under which "tax" is deducted at source and included within the Government's share of profit oil).

Depletion and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus production in the period, generally on a field-by-field basis. Commercial reserves estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Commercial reserves estimates are based on a Group reserves report produced by an independent engineer. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Note 12. Investments

	2012 $m	2011 $m
Unlisted investments	**1.0**	1.0

The fair value of these investments is not materially different from their carrying value.

Details of the subsidiaries which the Directors consider are the most important subsidiaries as at 31 December 2012 and the percentage of share capital owned by the Company are set out below. All of these subsidiaries are included in the consolidated Group financial statements. A complete list of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

* The Group is deemed to control Tulipe Oil SA in accordance with IAS 27 as it has a majority of the voting rights on the board of Tulipe Oil SA.

Note 13. Inventories

	2012 $m	2011 $m
Warehouse stocks and materials	**84.9**	132.0
Oil stocks	**78.8**	93.7
	163.7	225.7

Inventories includes a provision of $4.6 million (2011: $3.8 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 14. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No receivables have been impaired and no allowance for doubtful debt has been recognised (2011: $nil).

Note 15. Other assets

	2012 $m	2011 $m
Non-current		
Other receivables	**696.7**	313.5
Current		
Other receivables	**370.9**	266.7
Prepayments	**33.4**	56.1
VAT recoverable	**12.3**	37.4
	416.6	360.2

At 31 December 2012 the non-current other receivables balance includes $341 million of contingent consideration receivable from the Uganda farm-down (note 9) and the recoverable security paid by Tullow to the Ugandan Revenue Authority (URA) as agent to the transaction between Tullow and Heritage Oil & Gas Limited (Heritage) in respect of the sale of their interest in Uganda. Separately, and under the terms of Tullow and Heritage's PSA, Tullow has opened proceedings against Heritage in London to recover this sum. Recoverable VAT in Uganda has also been classified as non-current as at 31 December 2012.

Included within current other receivables are amounts due from joint venture partners of $234.4 million (2011: $204.9 million), deferred expenses of $4.5 million (2011: $0.8 million) and other sundry debtors of $132.0 million (2011: $61.0 million).

Note 16. Cash and cash equivalents

	2012 $m	2011 $m
Cash at bank	**316.9**	307.1
Short-term deposits	**13.3**	—
	330.2	307.1

Cash and cash equivalents includes an amount of $223.8 million (2011: $221.3 million) which the Group holds as operator in joint venture bank accounts.

Note 17. Assets classified as held for sale

In March 2012, the Board resolved to dispose of the Group's Asia operations and negotiations with interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately on the balance sheet. The proceeds of disposal are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The Group's Asia operations are included in the Europe, South America and Asia segment.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2012 $m
Intangible exploration and appraisal assets	**28.4**
Property, plant and equipment	**32.3**
Trade and other receivables	**4.7**
Other current assets	**33.0**
Cash and cash equivalents	**18.0**
Total assets classified as held for sale	**116.4**
Trade and other payables	**(47.3)**
Provisions	**(1.6)**
Total liabilities associated with assets classified as held for sale	**(48.9)**
Net assets of disposal group	**67.5**

Note 18. Trade and other payables

Current liabilities

	2012 $m	*Restated 2011 $m
Trade payables	**50.5**	85.8
Other payables	**204.8**	469.1
Accruals	**545.8**	542.2
VAT and other similar taxes	**46.0**	22.5
Current portion of finance lease (note 21)	**1.0**	—
	848.1	1,119.6

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

The other payables balance primarily contains payables in relation to operated licences (shown gross in the Group consolidated financial statements).

Non-current liabilities

	2012 $m	2011 $m

Other payables	**—**	2.4
Non-current portion of finance lease (note 21)	**30.6**	—
	30.6	2.4
—After one year but within five years	**8.1**	—
—After five years	**22.5**	2.4
	30.6	2.4

Trade and other payables are non-interest bearing except for finance leases (note 21).

Note 19. Financial liabilities

	2012 $m	2011 $m
Current		
Short-term borrowings	**—**	217.8
Non-current		
Term loans repayable		
—After one year but within two years	**—**	728.8
—After two years but within five years	**621.1**	2,129.3
—After five years	**552.5**	—
	1,173.6	2,858.1
Carrying value of total borrowings	**1,173.6**	3,075.9
Accrued interest and unamortised fees	**145.1**	85.3
External borrowings	**1,318.7**	3,161.2

External borrowings represent the principal amount due at maturity. Short-term borrowings, term loans and guarantees are secured by fixed and floating charges over the oil and gas assets of the Group.

Capital management

The Group defines capital as the total equity of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements.

To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or other such restructuring activities as appropriate.

No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2012.

The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to net debt plus equity. Net debt is calculated as gross debt, as shown in the balance sheet, less cash and cash equivalents.

	2012 $m	2011 $m
External borrowings	**1,318.7**	3,161.2
Less cash and cash equivalents (note 16)	**(330.2)**	(307.1)
Net debt	**988.5**	2,854.1
Equity	**5,321.6**	4,766.0
Net debt ratio	**19%**	60%

The movement from 2011 is attributable to lower external borrowings during 2012, principally as a result of the proceeds from farm-down of the Group's Uganda interests and operating cash flows, partially offset by the Group's $1,849 million investment in development, appraisal and exploration activities.

Interest rate risk

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2012 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	**271.3**	**24.5**	**28.3**	**6.1**	**330.2**
Fixed rate debt	**(50.0)**	**—**	**—**	**—**	**(50.0)**
Floating rate debt	**(1,097.1)**	**—**	**(171.6)**	**—**	**(1,268.7)**
	(875.8)	**24.5**	**(143.3)**	**6.1**	**(988.5)**

The profile at 31 December 2011 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Cash at bank at floating interest rate	138.9	5.2	38.5	21.3	203.9
Cash at bank on which no interest is received	99.5	0.6	0.5	2.6	103.2
Fixed rate debt (*re-presented)	(300.0)	—	—	—	(300.0)
Floating rate debt (*re-presented)	(2,697.4)	—	(163.8)	—	(2,861.2)
	(2,759.0)	5.8	(124.8)	23.9	(2,854.1)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of representation to assist with comparability to 2012, whereby the amounts disclosed represent the Group external borrowing rather than the carrying value of the facilities.

Cash at bank at floating interest rate consisted of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

The $3.5 billion Reserves Based Lending credit facility, which was refinanced in November 2012, incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2012, the headroom under the two facilities amounted to $2,202 million; $1,702 million under the $3.5 billion Reserves Based Lending credit facility and $500 million under the Revolving credit facility. At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion Reserves Based Lending credit facility and $650 million under the Revolving credit facility. The increase in headroom is as a result of repayment of the Reserves Based Lending credit facility with proceeds from the Uganda farm-down.

The Group is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2012 is a liability of $2.9 million (2011: $7.0 million liability). Interest rate hedges are included in fixed rate debt in the above table.

Foreign currency risk

Wherever possible, the Group conducts and manages its business in Sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also denominated in Sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are managed by executing foreign currency financial derivatives, typically to manage exposures arising on corporate transactions such as acquisitions and disposals. There were no foreign currency financial derivatives in place at the 2012 year-end (2011: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2012, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were £106.0 million cash drawings under the Group's borrowing facilities (2011: £106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $143.3 million (2011: net liabilities of $124.8 million, re-presented net of cash).

Foreign currency sensitivity analyses

The Group is mainly exposed to fluctuations in the US dollar. The Group measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2012, a 20% increase in foreign exchange rates against the functional currencies of entities in the Group would have resulted in a decrease in foreign currency denominated liabilities and equity of $28.5 million (2011: $27.3 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $34.3 million (2011: $32.8 million).

Liquidity risk

The Group manages its liquidity requirements via the use of both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	**Less than 1 month $m**	**1 - 3 months $m**	**3 months to 1 year $m**	**1 - 5 years $m**	**5+ years $m**	**Total $m**
31 December 2012							
Non-interest bearing	**n/a**	**101.8**	**80.8**	**106.7**	**3.1**	**8.9**	**301.3**
Finance lease liabilities	**6.5%**	**—**	**—**	**3.3**	**13.4**	**32.2**	**48.9**
Variable interest rate instruments	**7.7%**						
Principal repayments		**—**	**—**	**—**	**750.3**	**568.4**	**1,318.7**
Interest charge		**4.2**	**8.4**	**38.1**	**192.8**	**44.5**	**288.0**
		106.0	**89.2**	**148.1**	**959.6**	**654.0**	**1,956.9**

	Weighted average effective interest rate	**Less than 1 month $m**	**1 - 3 months $m**	**3 months to 1 year $m**	**1 - 5 years $m**	**5+ years $m**	**Total $m**
31 December 2011							
Non-interest bearing	n/a	81.3	86.4	395.7	8.8	5.2	577.4
Variable interest rate instruments	5.4%*						
Principal repayments		—	—	223.8	2,937.4	—	3,161.2
Interest charge		11.5	22.9	103.7	261.3	—	399.4
		92.8	109.3	723.2	3,207.5	5.2	4,138.0

* The weighted average effective interest rate has been restated from the 2011 financial statements to aid comparability with 2012 as a result of a change in estimate.

Note 20. Financial instruments

Financial risk management objectives

The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. In addition, the Group holds a small portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

The Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The Group has no material financial assets that are past due. The Group predominantly sells to large oil and gas multinationals, no financial assets are impaired at the balance sheet date and all are considered to be fully recoverable.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

31 December 2012 **Assets/liabilities**	**Less than 1 year $m**	**1 - 3 years $m**	**Total 2012 $m**
Cash flow hedges			
Oil derivatives	**5.4**	**32.6**	**38.0**
Gas derivatives	**0.1**	**—**	**0.1**
Interest rate derivatives	**(0.9)**	**(2.0)**	**(2.9)**
	4.6	**30.6**	**35.2**
Deferred premium			
Oil derivatives	**(43.6)**	**(49.4)**	**(93.0)**
Gas derivatives	**(0.4)**	**(0.5)**	**(0.9)**
	(44.0)	**(49.9)**	**(93.9)**
Total liabilities	**(39.4)**	**(19.3)**	**(58.7)**

31 December 2011 **Assets/liabilities**	**Less than 1 year $m**	**1 - 3 years $m**	**Total 2011 $m**
Cash flow hedges			
Oil derivatives	10.0	33.1	43.1
Gas derivatives	(0.4)	(1.1)	(1.5)
Interest rate derivatives	(4.0)	(3.0)	(7.0)
	5.6	29.0	34.6
Deferred premium			
Oil derivatives	(47.7)	(32.9)	(80.6)
Gas derivatives	(0.3)	(0.3)	(0.6)
	(48.0)	(33.2)	(81.2)
Total liabilities	(42.4)	(4.2)	(46.6)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of our financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

All the Group's derivatives are Level 2 (2011: Level 2).

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

There were no transfers between fair value levels during the year.

Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates.

Oil and gas prices

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Brent Dated, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

At 31 December 2012, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2013	H2 2013	2014	2015
Volume—bopd	**35,000**	**35,000**	**24,500**	**11,500**
Average price*—$/bbl	**107.02**	**107.02**	**102.20**	**98.24**

* Average hedge prices are based on market prices as at 31 December 2012 and represent the current value of hedged volumes at that date.

At 31 December 2012, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2013	H2 2013	2014	2015
Volume—mmscfd	**30.25**	**18.36**	**10.36**	**4.87**
Average price*—p/therm	**63.08**	**63.44**	**66.41**	**65.92**

* Average hedge prices are based on market prices as at 31 December 2012 and represent the current value of hedged volumes at that date.

At 31 December 2011, the Group's oil hedge position was summarised as follows:

Oil hedges	H1 2012	H2 2012	2013	2014
Volume—bopd	**34,500**	**34,500**	**21,000**	**10,000**
Average price*—$/bbl	**105.63**	**103.85**	**100.84**	**96.83**

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

At 31 December 2011, the Group's gas hedge position was summarised as follows:

Gas hedges	H1 2012	H2 2012	2013	2014
Volume—mmscfd	**29.66**	**18.06**	**10.97**	**1.81**
Average price*—p/therm	**54.99**	**58.90**	**64.02**	**70.74**

* Average hedge prices are based on market prices as at 31 December 2011 and represent the current value of hedged volumes at that date.

As at 31 December 2012 and 31 December 2011, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, field production performance on any day.

Income statement hedge summary

Losses from commodity derivative settlements during the period, included in the income statement, were $77.0 million (2011: $69.8 million) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

(Loss)/gain on hedging instruments:	2012 $m	2011 $m
Cash flow hedges		
Gas derivatives		
Ineffectiveness	**—**	—
Time value	**1.3**	16.7
	1.3	16.7
Oil derivatives		
Ineffectiveness	**0.2**	(0.2)

Time value	**(21.4)**	10.7
	(21.2)	10.5
Total net (loss)/gain for the year in the income statement	**(19.9)**	27.2

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

Deferred amounts in the hedge reserve	2012 $m	2011 $m
At 1 January	**(14.3)**	(25.7)
Revaluation losses arising in the year	**(3.3)**	(6.7)
Reclassification adjustments for items included in income statement on realisation	**11.0**	15.2
Movement in deferred tax	**0.1**	2.9
	7.8	11.4
At 31 December	**(6.5)**	(14.3)

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2012 $m	2011 $m
Cash flow hedges		
Gas derivatives	**—**	0.1
Oil derivatives	**(3.4)**	(7.2)
Interest rate derivatives	**(3.1)**	(7.2)
	(6.5)	(14.3)

Financial derivatives

The Group internally measures its exposure to market risk by running various sensitivity analyses, including assessing the impact of reasonably possible movements in key variables.

Oil and gas sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being dated Brent oil prices and UK D-1 Heren and M-1 Heren natural gas prices. The analysis, which is used internally by management to monitor derivatives, has been prepared using the following assumptions:

- The pricing adjustments relate only to the point forward mark-to-market (MTM) valuations;
- The price sensitivities assume there is no ineffectiveness related to the oil and gas hedges; and
- The sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

As at 31 December 2012, a 10% increase in the dated Brent oil price curve would have decreased equity (only adjusting the intrinsic value element) by approximately $7.1 million (2011: $17.8 million); a 10% decrease would have increased equity by approximately $3.4 million (2011: $7.2 million).

As at 31 December 2012, a 10% increase in the UK D-1 Heren and M-1 Heren natural gas price curves would have decreased equity by approximately $1.0 million (2011: $3.3 million); a 10% decrease would have increased equity by approximately $1.3 million (2011: $2.0 million).

Interest rate sensitivity analysis

As at 31 December 2012, the interest rate derivative position was a liability of $2.9 million (2011: $7.0 million); a 25bps increase in the underlying interest rate would increase equity by approximately $0.2 million (2011: $0.5 million).

Credit risk

Credit risk refers to the risk that a counterparty will fail to perform, or fail to pay amounts due, resulting in financial loss to the Group. The primary activities of the Group are oil and gas exploration and production. The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals.

The Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. The Group attempts to mitigate credit risk by entering into contracts that permit netting and allow for termination of the contract upon the occurrence of certain events of default. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions undertaken is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables and other current assets, as at 31 December 2012 was $1,769.7 million (2011: $1,254.2 million).

Notes to Group financial statements

Year ended 31 December 2012

Note 21. Obligations under finance leases

	2012 $m	2011 $m
Amounts payable under finance leases:		
—Within one year	**3.3**	—
—Within two to five years	**13.4**	—
—After five years	**32.2**	—
	48.9	—
Less future finance charges	**(17.3)**	—
Present value of lease obligations	**31.6**	—
Amount due for settlement within 12 months (note 18)	**1.0**	—
Amount due for settlement after 12 months (note 18)	**30.6**	—

The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2012 was 14 years (2011: nil years). For the year ended 31 December 2012, the effective borrowing rate was 6.5% (2011: nil%).

During 2011 the Jubilee FPSO (Kwame Nkrumah) was derecognised as a finance lease as it was acquired from the lessor by the Jubilee field unit partners; a $22.3 million gain was recognised in finance income in respect of this transaction.

Note 22. Provisions

(i) Decommissioning costs and other provisions

	2012 $m	2011 $m
At 1 January	**440.8**	278.6
New provisions and changes in estimates	**60.4**	81.6
Acquisition of subsidiary	**—**	86.6
Decommissioning payments	**1.1**	(16.7)
Unwinding of discount (note 5)	**20.3**	20.9
Transfer to assets held for sale (note 17)	**(1.6)**	—
Currency translation adjustment	**10.9**	(10.2)
At 31 December 2012	**531.6**	440.8

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests, which are expected to be incurred up to 2035. A review of all decommissioning estimates was undertaken by an independent specialist in 2010 which has been assessed and updated internally for the purposes of the 2012 financial statements.

Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

(ii) Deferred taxation

	Accelerated tax depreciation $m	Decommissioning $m	Revaluation of financial assets $m	Other timing differences $m	PRT $m	Total $m
At 1 January 2011	(622.6)	63.0	7.4	189.4	(2.3)	(365.1)
(Charge)/credit to income statement	(111.7)	(0.3)	(9.0)	(79.9)	3.4	(197.5)
Acquisition of subsidiary (*restated)	(463.6)	(10.1)	—	—	—	(473.7)

Credit to other comprehensive income	—	—	2.9	—	—	2.9
Charge directly to equity	—	—	—	(5.1)	—	(5.1)
Exchange differences	46.8	—	—	—	(0.1)	46.7
At 1 January 2012	**(1,151.1)**	**52.6**	**1.3**	**104.4**	**1.0**	**(991.8)**
(Charge)/credit to income statement	**(36.5)**	**11.1**	**(0.8)**	**(44.7)**	**2.3**	**(68.6)**
Credit to other comprehensive income	**—**	**—**	**0.1**	**—**	**—**	**0.1**
Exchange differences	**(14.2)**	**3.9**	**—**	**(0.8)**	**—**	**(11.1)**
At 31 December 2012	**(1,201.8)**	**67.6**	**0.6**	**58.9**	**3.3**	**(1,071.4)**

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

	2012 $m	*Restated 2011 $m
Deferred tax liabilities	**(1,076.3)**	(1,030.8)
Deferred tax assets	**4.9**	39.0
	(1,071.4)	(991.8)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 23. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid		Share premium
	Number	$m	$m
Ordinary shares of 10 pence each			
At 1 January 2011	888,236,870	143.5	251.5
Issues during the year			
—Shares issued	13,668,742	2.2	285.5
—Exercise of share options	3,009,637	0.5	14.8
At 1 January 2012	**904,915,249**	**146.2**	**551.8**
Issues during the year			
—Shares issued	**224,955**	**—**	**4.9**
—Exercise of share options	**2,623,123**	**0.4**	**28.1**
At 31 December 2012	**907,763,327**	**146.6**	**584.8**

The Company does not have an authorised share capital.

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 24. Other reserves

	Merger reserve $m	Foreign currency translation reserve $m	Hedge reserve $m	Treasury shares $m	Total $m
At 1 January 2011	755.1	(141.0)	(25.7)	(14.2)	574.2
Hedge movement (note 20)	—	—	11.4	—	11.4
Currency translation adjustment	—	(34.5)	—	—	(34.5)
At 1 January 2012	**755.1**	**(175.5)**	**(14.3)**	**(14.2)**	**551.1**
Hedge movement (note 20)	**—**	**—**	**7.8**	**—**	**7.8**
Currency translation adjustment	**—**	**7.7**	**—**	**—**	**7.7**
At 31 December 2012	**755.1**	**(167.8)**	**(6.5)**	**(14.2)**	**566.6**

The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and exchange gains or losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (see note 26).

Note 25. Non-controlling interest

$m	2012	2011
At 1 January	**75.6**	60.6
Share of profit for the year	**41.9**	40.0
Distribution to minority shareholders	**(25.1)**	(25.0)
At 31 December	**92.4**	75.6

The non-controlling interest relates to Tulipe Oil SA, where the Group acquired a 50% controlling shareholding during 2007.

Note 26. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant). Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three- year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 98 to 114.

The shares outstanding under the PSP are as follows:

	2012 PSP shares	2012 Average weighted share price at grant p	2011 PSP shares	2011 Average weighted share price at grant p
Outstanding at 1 January	**5,857,534**	**1116.0**	4,101,876	978.6
Granted	**2,377,392**	**1461.7**	2,173,954	1342.6
Exercised during the year	**(395,002)**	**818.5**	(389,126)	942.5
Forfeited/expired during the year	**(12,250)**	**1314.7**	(29,170)	1249.8
Outstanding at 31 December	**7,827,674**	**1235.7**	5,857,534	1116.0
The inputs of the option valuation model were:				
Risk free interest rate		**0.6% pa**		1.6% pa
Expected volatility		**36%**		49%
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from date of grant to vesting. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards. The weighted average fair value of the awards granted in 2012 was 748.6p per share subject to an award (2011: 728.8p).

The Group recognised a total charge of $20.5 million (2011: $17.0 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2012 DSBP shares	2012 Share price at grant p	2011 DSBP shares	2011 Share price at grant p
Outstanding at 1 January	**367,877**	**980.0**	301,951	896.6
Granted	**150,526**	**1480.0**	65,926	1362.0
Exercised during the year	**—**	**—**	—	—
Outstanding at 31 December	**518,403**	**1125.2**	367,877	980.0
The inputs of the option valuation model were:				
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2012 was 1444.4p per share subject to an award (2011: 1344.1p).

The Group recognised a total charge of $2.1 million (2011: $1.7 million) in respect of the DSBP.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2012 Number	2012 WAEP p	2011 Number	2011 WAEP p
Outstanding as at 1 January	**14,723,518**	**845.0**	13,941,969	623.9
Granted during the year	**3,667,026**	**1494.6**	3,616,898	1368.5
Exercised during the year	**(2,228,121)**	**555.7**	(2,620,511)	363.9
Forfeited/expired during the year	**(689,069)**	**1244.9**	(214,838)	1176.6
Outstanding at 31 December	**15,473,354**	**1024.0**	14,723,518	845.0
Exercisable at 31 December	**6,194,510**	**465.7**	5,782,542	360.2

The weighted average share price at exercise for options exercised in 2012 was 1470p (2011: 1387.2p).

Options outstanding at 31 December 2012 had exercise prices of 85p to 1530p (2011: 82p to 1374.2p) and remaining contractual lives of one to 10 years.

The fair values were calculated using a proprietary binomial valuation model. The principal inputs to the options valuation model were:

Risk-free interest rate	0.5 - 1.0% pa
Expected volatility	46 - 48%
Dividend yield	0.8 - 0.9% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with IFRS 2 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan - Dec 2007	396.9	123.4	4.8
Jan - Dec 2008	647.3	205.8	4.3
Jan - Dec 2009	781.0	283.5	4.0
Jan - Dec 2010	1274.3	456.2	4.3
Jan - Dec 2011	1368.5	580.4	4.7
Jan - Dec 2012	1494.6	619.8	4.3

The Group recognised a total charge of $24.6 million (2011: $19.0 million) in respect of the 2010 SOP and 2000 ESOS.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for- one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any IFRS 2 accounting charge.

Matching shares vest three years after grant and dividends are paid to the employee during this period.

The Group recognised a total charge of $0.5 million (2011: $0.6 million) for the UK SIP Plan and $0.2 million (2011: $0.2 million) for the Irish SIP plan.

Note 27. Operating lease arrangements

	2012 $m	2011 $m
Minimum lease payments under operating leases recognised in income for the year	**13.6**	7.0

At the Balance Sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 $m	2011 $m
Minimum lease payments under operating leases		
Due within one year	**10.6**	16.4
After one year but within two years	**7.8**	10.0
After two years but within five years	**21.6**	20.8
Due after five years	**70.1**	73.9
	110.1	121.1

Operating lease payments represent rentals payable by the Group for certain of its office properties and a lease for an FPSO vessel for use on the Chinguetti field in Mauritania. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years. The FPSO lease runs for a minimum period of seven years from February 2006 and the contract provides for an option to extend the lease for a further three years at a slightly reduced rate.

Note 28. Capital commitments

Contracted capital commitments as at 31 December 2012 are $580.3 million (2011: $1,049.2 million).

Note 29. Contingent liabilities

At 31 December 2012 there existed contingent liabilities amounting to $154.9 million (2011: $147.0 million) in respect of performance guarantees for abandonment obligations, committed work programmes and certain financial obligations.

Note 30. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by IAS 24—Related Party Disclosures.

	2012 $m	2011 $m
Short-term employee benefits	**9.1**	8.7
Post employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**2.9**	3.7
Share-based payments	**9.5**	7.5

	22.6	21.0

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post-employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted, accounted for in accordance with IFRS 2-Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Directors' remuneration report on pages 98 to 114.

Note 31. Subsequent events

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

In January 2013, Tullow has completed the farm-in announced in November 2012 to gain a 40% operated interest in the Hyperdynamics Corporation's oil and gas exploration licence offshore Guinea.

On 11 December 2012 the Group announced the acquisition of 100% of Spring Energy Norway AS ("Spring"), a Norwegian exploration company. The acquisition of Spring added a portfolio of 28 offshore licences across Norway's continental shelf in the North, Norwegian and Barents Seas. The acquisition of Spring enables the Group rapidly to build a strong platform for future growth in Norway. The transaction had an effective date of 1 September 2012 but completed on 22 January 2013 and this is therefore the acquisition date. The headline purchase price of $372.3 million was adjusted for estimated completion statement adjustments of $46.8 million. The transaction will be accounted for in 2013 as a business combination in accordance with IFRS 3—Business Combinations. As at the date of authorisation for issue of these financial statements the initial accounting for the business combination is incomplete due to the proximity of the completion date to the date of authorisation of these financial statements. As a result the Group is unable to disclose the provisional fair values of the assets and liabilities acquired or identify resulting goodwill or contingent liabilities.

Note 32. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to $13.1 million (2011: $10.1 million). As at 31 December 2012, there was a liability of $0.8 million (2011: $0.3 million) for contributions payable included in creditors.

Note 33. Retrospective restatement

The fair values of the identifiable assets and liabilities of the Nuon acquisition were reassessed in 2012, to reflect additional information which has become available concerning conditions that existed at the date of acquisition, in accordance with the provisions of IFRS 3—Business Combinations. Adjustments made to fair values previously reported have been retrospectively restated. The principal fair value adjustments are in respect of intangible exploration and appraisal assets and property, plant and equipment as a result of the finalisation of an independent review of acquired commercial reserves and contingent resources.

The impact on the 2011 financial statements is summarised in the table below.

	Previously stated 2011 $m	Adjustment to business combination fair values $m	Restated 2011 $m
Effect on balance sheet:			
Intangible exploration and evaluation assets	5,450.0	79.7	5,529.7
Property, plant and equipment	3,658.2	(77.9)	3,580.3
Non-current assets	9,461.7	1.8	9,463.5
Total assets	10,634.1	1.8	10,635.9
Trade and other payables	(1,118.6)	(1.0)	(1,119.6)
Current liabilities	(1,532.6)	(1.0)	(1,533.6)
Deferred tax liabilities	(1,030.0)	(0.8)	(1,030.8)
Non-current liabilities	(4,335.5)	(0.8)	(4,336.3)
Total liabilities	(5,868.1)	(1.8)	(5,869.9)
Net assets/Total equity	4,766.0	—	4,766.0

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 2012 which comprise the balance sheet, the accounting policies and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

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

Other matter

We have reported separately on the Group financial statements of Tullow Oil plc for the year ended 31 December 2012.

Carl D Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

12 February 2013

Company balance sheet

As at 31 December 2012

	Notes	2012 $m	2011 $m
Fixed assets			
Investments	1	**2,997.2**	4,097.5
		2,997.2	4,097.5
Current assets			
Debtors	4	**2,836.5**	2,942.0
Cash at bank		**39.3**	15.5
		2,875.8	2,957.5
Creditors—amounts falling due within one year			
Trade and other creditors	5	**(411.4)**	(152.0)
Bank loans	6	**—**	(217.8)
		(411.4)	(369.8)
Net current assets		**2,464.4**	2,587.7
Total assets less current liabilities		**5,461.6**	6,685.2
Creditors—amounts falling due after more than one year			
Bank loans	6	**(1,173.6)**	(2,858.1)
Loans from subsidiary undertakings	7	**(1.1)**	(1.1)
Net assets		**4,286.9**	3,826.0
Capital and reserves			
Called up equity share capital	8	**146.6**	146.2
Share premium account	8	**584.8**	551.8
Other reserves	10	**850.8**	850.8
Profit and loss account	9	**2,704.7**	2,277.2
Shareholders' funds	9	**4,286.9**	3,826.0

Approved by the Board and authorised for issue on 12 February 2013.

Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

Accounting policies

As at 31 December 2012

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (UK GAAP). The financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million, except where otherwise stated. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 408 of the Companies Act, the profit and loss account of the Company is not presented separately. During the year the Company made a profit of $561.9 million. In accordance with the exemptions available under FRS 1 'Cash Flow Statements', the Company has not presented a cash flow statement as the cash flow of the Company has been included in the cash flow statement of Tullow Oil plc Group set out on page 133.

In accordance with the exemptions available under FRS 8 'Related party transactions', the Company has not separately presented related party transactions with other Group companies.

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

(b) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(c) Finance costs and debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing bank loans are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(f) Share issue expenses

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

(g) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which it can be deducted.

(h) Share-based payments

The Company has applied the requirements of FRS 20- Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

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

(i) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

Notes to the Company financial statements

Year ended 31 December 2012

Note 1. Investments

	2012 $m	2011 $m
Shares at cost in subsidiary undertakings	**2,996.2**	4,096.5
Unlisted investments	**1.0**	1.0
	2,997.2	4,097.5

During 2012 an impairment of $366.1 million was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. A further reduction of $1,484.7 million was recognised in respect of repayment of investments by dividends paid to the Company. This was partially offset by an increase of investment in the Company's directly held subsidiaries.

Principal subsidiary undertakings

At 31 December 2012 the Company's principal subsidiary undertakings were:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	100	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

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

*	The Company is deemed to control Tulipe Oil SA in accordance with FRS 2 as it has a majority of the voting rights on the board of Tulipe Oil SA.

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment for impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Note 2. Dividends

	2012 $m	2011 $m
Declared and paid during year		
Final dividend for 2011: 8 pence (2010: 4 pence) per ordinary share	**115.4**	57.7
Interim dividend for 2012: 4 pence (2011: 4 pence) per ordinary share	**57.8**	56.5
Dividends paid	**173.2**	114.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2012: 8 pence (2011: 8 pence)	**117.4**	113.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Note 3. Deferred tax

The Company has tax losses of $448.2 million (2011: $283.0 million) that are available indefinitely for offset against future non-ring-fence taxable profits in the Company. A deferred tax asset of $nil million (2011: $nil million) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 4. Debtors

Amounts falling due within one year

	2012 $m	2011 $m
Other debtors	**5.2**	2.2
Due from subsidiary undertakings	**2,831.3**	2,939.8
	2,836.5	2,942.0

The amounts due from subsidiary undertakings include $1,889.1 million (2011: $2,609.6 million) that incurs interest at LIBOR plus 0.875% - 3.75%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of $78.1 million was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 5. Trade and other creditors

Amounts falling due within one year

	2012 $m	2011 $m
Other creditors	**11.1**	7.4
Accruals	**1.1**	14.5
Due to subsidiary undertakings	**399.2**	130.1
	411.4	152.0

Note 6. Bank loans

	2012 $m	2011 $m
Current		

Short-term borrowings	**—**	217.8
Non-current		
Term loans repayable		
—After one year but within two years	**—**	728.8
—After two years but within five years	**621.1**	2,129.3
—After five years	**552.5**	—
	1,173.6	2,858.1
Carrying value of total borrowings	**1,173.6**	3,075.9
Accrued interest and unamortised fees	**145.1**	85.3
External borrowings	**1,318.7**	3,161.2

Term loans and guarantees are secured by fixed and floating charges over the oil and gas assets of the Group financial statements.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2012 was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Fixed rate debt	**(50.0)**	**—**	**—**	**—**	**(50.0)**
Floating rate debt	**(1,097.1)**	**—**	**(171.6)**	**—**	**(1,268.7)**
Amounts due to subsidiaries at LIBOR + 3.6%	**(113.8)**	**—**	**—**	**—**	**(113.8)**
Cash at bank at floating interest rate	**25.6**	**13.3**	**—**	**0.4**	**39.3**
Amounts due from subsidiaries at LIBOR + 3.7%	**1,823.9**	**—**	**—**	**65.2**	**1,889.1**
Net cash/(debt)	**588.6**	**13.3**	**(171.6)**	**65.6**	**495.9**

The profile at 31 December 2011 for comparison purposes was as follows:

	US$ $m	Stg $m	Other $m	Total $m
Fixed rate debt (*re-presented)	(300.0)	—	—	(300.0)
Floating rate debt (*re-presented)	(2,697.4)	(163.8)	—	(2.861.2)
Amounts due to subsidiaries at LIBOR + 1.7%	(130.1)	—	—	(130.1)
Cash at bank at floating interest rate	8.3	0.1	7.1	15.5
Amounts due from subsidiaries at LIBOR + 1.7%	2,223.5	386.1	—	2,609.6
Net (debt)/cash	(895.7)	222.4	7.1	(666.2)

* Certain numbers shown above do not correspond to the 2011 financial statements as a result of representation to assist with comparability to 2012, whereby the amounts disclosed represent the Group external borrowing rather the carrying value of the facilities.

Cash at bank at floating interest rate consisted of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

The $3.5 billion Reserves Based Lending credit facility, which was refinanced in November 2012, incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier.

The $500 million Revolving credit facility is repayable in full on 31 December 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2012, the headroom under the two facilities amounted to $2,202 million: $1,702 million under the $3.5 billion Reserves Based Lending credit facility; and $500 million under the Revolving credit facility. At the end of December 2011, the headroom under the two facilities amounted to $826 million; $176 million under the $3.5 billion

Reserves Based Lending credit facility and $650 million under the Revolving credit facility. The increase in headroom is as a result of repayment of the Reserves Based Lending credit facility with proceeds from the Uganda farm-down.

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2012 is a liability of $2.9 million (2011: $7.0 million liability). Interest rate hedges are included in fixed rate debt in the above table.

As at 31 December 2012, the only material monetary assets or liabilities of the Company that were not denominated in its functional currency were £106.0 million cash drawings under the Group's borrowing facilities (2011: £106.0 million). The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of $171.6 million (2011: net liabilities of $163.8 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to currency fluctuations against the US dollar. The Company measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2012, a 20% increase in foreign exchange rates against the US dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of $28.5 million (2011: $27.3 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $34.3 million (2011: $32.8 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2012 $m	2011 $m
Loans from subsidiary companies	**1.1**	1.1

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

Notes to the Company financial statements

Year ended 31 December 2012

Note 8. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital $m	Share premium $m
At 1 January 2011	888,236,870	143.5	251.5
Issues during the year			
—Shares issued	13,668,742	2.2	285.5
—Exercise of share options	3,009,637	0.5	14.8
At 1 January 2012	**904,915,249**	**146.2**	**551.8**
Issues during the year			
—Shares issued	**224,955**	**—**	**4.9**
—Exercise of share options	**2,623,123**	**0.4**	**28.1**
At 31 December 2012	**907,763,327**	**146.6**	**584.8**

The Company does not have an authorised share capital.

Note 9. Shareholders' funds

	Share capital $m	Share premium $m	Other reserves (note 10) $m	Profit and loss account $m	Total $m
At 1 January 2011	143.5	251.5	850.8	2,369.9	3,615.7
Total recognised income and expense for the year	—	—	—	(16.5)	(16.5)
Issue of share capital	2.2	285.5	—	—	287.7
New shares issued in respect of employee share options	0.5	14.8	—	—	15.3
Vesting of PSP shares	—	—	—	(0.1)	(0.1)
Share-based payment charges	—	—	—	38.1	38.1
Dividends paid	—	—	—	(114.2)	(114.2)
At 1 January 2012	**146.2**	**551.8**	**850.8**	**2,277.2**	**3,826.0**
Total recognised income and expense for the year	**—**	**—**	**—**	**561.9**	**561.9**
Issue of share capital	**—**	**4.9**	**—**	**—**	**4.9**
New shares issued in respect of employee share options	**0.4**	**28.1**	**—**	**—**	**28.5**
Vesting of PSP shares	**—**	**—**	**—**	**(9.1)**	**(9.1)**
Share-based payment charges	**—**	**—**	**—**	**47.9**	**47.9**
Dividends paid	**—**	**—**	**—**	**(173.2)**	**(173.2)**
At 31 December 2012	**146.6**	**584.8**	**850.8**	**2,704.7**	**4,286.9**

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. During 2011 the Company issued 3,531,546 ordinary shares via an equity placing in Ghana and 10,137,196 ordinary shares in respect of the EO Group Limited transaction. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 10. Other reserves

	Merger reserve $m	Treasury shares $m	Foreign currency translation reserve $m	Total $m
At 1 January 2012 and 31 December 2012	**671.6**	**(14.2)**	**193.4**	**850.8**

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy options held under the Group's share incentive plans (see note 11).

Note 11. Share-based payments

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards have been converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition. 50% (70% for awards granted to Directors in 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award measurement in the Directors' Remuneration Report on pages 98 to 114.

The shares outstanding under the PSP are as follows:

	2012 PSP shares	2012 Average weighted share price at grant p	2011 PSP shares	2011 Average weighted share price at grant p
Outstanding at 1 January	**5,857,534**	**1116.0**	4,101,876	978.6
Granted	**2,377,392**	**1461.7**	2,173,954	1342.6
Exercised during the year	**(395,002)**	**818.5**	(389,126)	942.5
Forfeited/expired during the year	**(12,250)**	**1314.7**	(29,170)	1249.8
Outstanding at 31 December	**7,827,674**	**1235.7**	5,857,534	1116.0
The inputs of the option valuation model were:				
Risk free interest rate		**0.6% pa**		1.6% pa
Expected volatility		**36%**		49%
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from date of grant to vesting. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards. The weighted average fair value of the awards granted in 2012 was 748.6p per award (2011: 728.8p).

The Company recognised a total charge of $20.5 million (2011: $17.0 million) in respect of the PSP.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

The shares outstanding under the DSBP are as follows:

	2012 DSBP shares	2012 Share price at grant p	2011 DSBP shares	2011 Share price at grant p
Outstanding at 1 January	**367,877**	**980.0**	301,951	896.6
Granted	**150,526**	**1480.0**	65,926	1362.0
Exercised during the year	**—**	**—**	—	—
Outstanding at 31 December	**518,403**	**1125.2**	367,877	980.0
The inputs of the option valuation model were:				
Dividend yield		**0.8% pa**		0.4% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2012 was 1444.4p per share subject to an award (2011: 1344.1p).

The Company recognised a total charge of $2.1 million (2011: $1.7 million) in respect of the DSBP.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index over three years following grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 2010 SOP and 2000 ESOS during the year.

	2012 Number	2012 WAEP p	2011 Number	2011 WAEP p
Outstanding as at 1 January	**14,723,518**	**845.0**	13,941,969	623.9
Granted during the year	**3,667,026**	**1494.6**	3,616,898	1368.5
Exercised during the year	**(2,228,121)**	**555.7**	(2,620,511)	363.9
Forfeited/expired during the year	**(689,069)**	**1244.9**	(214,838)	1176.6
Outstanding at 31 December	**15,473,354**	**1024.0**	14,723,518	845.0
Exercisable at 31 December	**6,194,510**	**465.7**	5,782,542	360.2

The weighted average share price at exercise for options exercised in 2012 was 1470.6p (2011: 1387.2p).

Options outstanding at 31 December 2012 had exercise prices of 85p to 1530.4p (2011: 82p to 1374.2p) and remaining contractual lives of one to 10 years.

The fair values were calculated using a proprietary binomial valuation model. The principal inputs to the options valuation model were:

Risk-free interest rate	0.5 - 1.0% pa
Expected volatility	46 - 48%
Dividend yield	0.8 - 0.9% pa
Employee turnover	5% pa
Early exercise	At rates dependent upon potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with FRS 20 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan - Dec 2007	396.9	123.4	4.8
Jan - Dec 2008	647.3	205.8	4.3
Jan - Dec 2009	781.0	283.5	4.0
Jan - Dec 2010	1274.3	456.2	4.3
Jan - Dec 2011	1368.5	580.4	4.7
Jan - Dec 2012	1494.6	619.8	4.3

The Company recognised a total charge of $24.6 million (2011: $19.0 million) in respect of the 2010 SOP and 2000 ESOS.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the Plan trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for- one basis. Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold.

The fair value of a Matching Share is its market value at the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date (which is treated as a three-month share option for FRS 20 purposes). For the Irish plan, shares are bought at the market price at the purchase date which does not result in any FRS 20 accounting charge.

Matching Shares vest three years after grant and dividends are paid to the employee during this period.

The Company recognised a total charge of $0.5 million (2011: $0.6 million) for the UK SIP Plan and $0.2 million (2011: $0.2 million) for the Irish SIP plan.

Note 12. Related party transactions

The Directors of Tullow Oil plc are considered to be the only key management personnel as defined by FRS 8—Related Party Disclosures.

	2012 $m	**2011 $m**
Short-term employee benefits	**9.1**	8.7
Post employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**2.9**	3.7
Share-based payments	**9.5**	7.5
	22.6	21.0

Short-term employee benefits

These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Post employment benefits

These amounts comprise amounts paid into the pension schemes of the Directors.

Amounts awarded under long-term incentive schemes

These amounts relate to the shares granted under the annual bonus scheme that is deferred for three years under the Deferred Share Bonus Plan (DSBP).

Share-based payments

This is the cost to the Group of Directors' participation in share-based payment plans, as measured by the fair value of options and shares granted accounted for in accordance with FRS 20, Share-based Payments.

There are no other related party transactions. Further details regarding transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 98 to 114.

Note 13. Subsequent events

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

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

Five year financial summary

	2012 $m	*Restated 2011 $m	*Restated 2010 $m	*Restated 2009 $m	2008 $m
Group income statement					
Sales revenue	**2,344.1**	2,304.2	1,089.8	915.9	1,310.6
Cost of sales	**(999.3)**	(930.8)	(584.1)	(608.0)	(687.3)
Gross profit	**1,344.8**	1,373.4	505.7	307.9	623.3
Administrative expenses	**(191.2)**	(122.8)	(89.6)	(77.6)	(79.2)
Profit on disposal	**702.5**	2.0	0.5	20.9	453.4
Exploration costs written off	**(670.9)**	(120.6)	(154.7)	(82.7)	(419.0)
Operating profit	**1,185.2**	1,132.0	261.9	168.5	578.5
(Loss)/profit on hedging instruments	**(19.9)**	27.2	(27.7)	(59.8)	66.6
Finance revenue	**9.6**	36.6	15.1	2.1	7.3
Finance costs	**(59.0)**	(122.9)	(70.1)	(60.8)	(87.5)
Profit from continuing activities before taxation	**1,115.9**	1,072.9	179.2	50.0	564.9
Taxation	**(449.7)**	(383.9)	(89.7)	(1.9)	(135.7)
Profit for the year from continuing activities	**666.2**	689.0	89.5	48.1	429.2
Earnings per share					
Basic—¢	**68.8**	72.5	8.1	5.4	58.8
Diluted—¢	**68.4**	72.0	8.0	5.3	58.1
Dividends paid	**173.2**	114.2	79.2	75.3	80.9
Group balance sheet					
Non-current assets	**8,087.6**	9,463.5	7,077.0	4,372.8	3,524.0
Net current assets/(liabilities)	**65.4**	(361.2)	(150.2)	139.9	(215.4)
Total assets less current liabilities	**8,153.0**	9,102.3	6,926.8	4,512.7	3,308.6
Long-term liabilities	**(2,831.4)**	(4,336.3)	(3,023.4)	(2,064.2)	(1,414.7)
Net assets	**5,321.6**	4,766.0	3,903.4	2,448.5	1,893.9
Called up equity share capital	**146.6**	146.2	143.5	130.1	119.7
Share premium	**584.8**	551.8	251.5	242.3	231.1
Other reserves	**566.6**	551.1	574.2	614.5	607.8
Retained earnings	**3,931.2**	3,441.3	2,873.6	1,419.5	898.6
Equity attributable to equity holders of the parent	**5,229.2**	4,690.4	3,842.8	2,406.4	1,857.2
Non-controlling interest	**92.4**	75.6	60.6	42.1	36.7
Total equity	**5,321.6**	4,766.0	3,903.4	2,448.5	1,893.9

* The 2011 figures have been restated to reflect the adjustment to business combination fair values. The 2009 and 2010 comparatives have been restated due to a change in the inventory accounting policy.

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	Ian Springett
Chief Executive Officer	*Chief Financial Officer*
13 March 2012	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; and
- 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.

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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

Accounting policies

Year ended 31 December 2011

(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 174.

(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 instruments 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 gain 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 expect 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 USD 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 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. The Group normally seeks to ensure that it has a minimum ongoing capacity of $500 million for a period of at least 12 months to safeguard the Group’s ability to continue as a going concern. 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. Therefore the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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 Groups best estimate of the amount expected to be paid, may change as agreement is reached with the relevant taxation authority.

Notes to the Group financial statements

Year ended 31 December 2011

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 below table.

	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)

Year ended 31 December 2011

	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 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 West and North Africa region.

(2) Included within 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
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.

Notes to the Group financial statements

Year ended 31 December 2011

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: Stg4p (2009: Stg4p) per ordinary share	**79.2**	51.6
Interim dividend for 2011: Stg4p (2010: Stg2p) 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: Stg8.0p (2010: Stg4p) 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

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 deal 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.

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.

Note 19. Financial liabilities

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 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).

Liquidity risk

The Group manages the liquidity requirements by the use of both short- and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects. The Group normally seeks to ensure that it has a minimum ongoing capacity of $500 million for a period of at least 12 months to safeguard the Group's ability to continue as a going concern. 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. Therefore the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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)

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.

Note 20. Financial instruments

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.

Year ended 31 December 2011

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.

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		Share premium
	Number	$m	$m
Ordinary shares of Stg10p 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 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.

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 2011 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% pa**		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
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.

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 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 farmdown 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

Accounting policies

Year ended 31 December 2011

(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 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. The Company normally seeks to ensure that it has a minimum ongoing capacity of $500 million for a period of at least 12 months to safeguard the Company's ability to continue as a going concern. 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. Therefore the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

(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 at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Foreign currencies

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 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.

Notes to the Company financial statements

Year ended 31 December 2011

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: Stg4.0p (2009: Stg4.0p) per ordinary share	**79.2**	51.6
Interim dividend for 2011: Stg4.0p (2010: Stg2.0p) 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: Stg8.0p (2010: Stg4.0p)	**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.

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.

Notes to the Company financial statements

Year ended 31 December 2011

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 2011 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% pa**		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.

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 2010 and 2009 comparatives have been restated due to the change in inventory accounting policy.

THE COMPANY

Tullow Oil plc
9 Chiswick Park
566 Chiswick High Road
London W4 5XT
United Kingdom

LEGAL ADVISORS

To the Company:
As to U.S. federal, New York and English Law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

To the Initial Purchasers:
As to U.S. federal, New York and English Law
Vinson & Elkins LLP
One Ropemaker Street
London EC2Y 9UE
United Kingdom

AUDITORS OF THE COMPANY

Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

TRUSTEE
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LONDON PAYING AGENT
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR, TRANSFER AGENT AND PRINCIPAL PAYING AGENT
Deutsche Bank Trust Company Americas
Trust and Agency Services
60 Wall Street, 16th Floor
New York, New York 10005
USA

LUXEMBOURG LISTING AGENT
Deutsche Bank Luxembourg SA
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISORS TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

TULLOW Oil plc