

Tullow Oil plc

2010 Half-yearly results

25 August 2010



Strong first half results in line with market expectations
Exploration success continues; Owo-1 confirms second major oil field in Ghana
Uganda discovered resources now 1 billion barrels

25 August 2010 – Tullow Oil plc (Tullow), the independent oil and gas exploration and production Group, announces its half-yearly results for the six months ended 30 June 2010. These results are presented in US Dollars, the Group's presentational currency with effect from 1 January 2010.

2010 Half-yearly results summary

The Group had a strong first half. Results were up on the first half of 2009 reflecting a 30% increase in average commodity price realisations. While production declined by 6%, first oil from Ghana is expected before year-end and will result in significant production growth and increased cash flow in 2011.

	1H 2010	1H 2009	Change
Sales revenue (\$m)	486	439	+11%
Operating profit (\$m)	124	92	+35%
Profit before tax (\$m)	131	52	+152%
Profit after tax (\$m)	89	31	+184%
Basic earnings per share (US\$ cent)	9.4	4.0	+134%
Interim dividend per share (pence)	2.0	2.0	No change
Operating cash flow before working capital (\$m)	367	303	+21%
Production (boepd, working interest basis)	55,800	59,265	-6%
Realised oil price (US\$ per bbl)	77.0	53.0	+45%
Realised gas price (pence per therm)	34.0	42.4	-20%

Key highlights

- Jubilee project remains on schedule for first oil in November or December 2010;
- Heritage Ugandan assets acquired; finalisation and planned farm-down to CNOOC and Total awaiting resolution of the Capital Gains Tax dispute with Heritage;
- Excellent exploration & appraisal performance year-to-date: 14 successes from 17 wells;
- New oil field discovered by Owo-1 in Ghana; accelerated appraisal of Owo & Tweneboa planned;
- Mpyo-1 discovers new oil field; discovered resources in Uganda now 1 billion barrels;
- Basin-testing exploration wells in West Africa and South America to be drilled in next 6 months;
- Full year production forecast increased to 57 - 58,000 boepd; and
- US\$1.45bn equity placing completed to support accelerated activities in Ghana and Uganda.

Commenting today, Aidan Heavey, Chief Executive, said:

"Tullow has continued to make strong progress in the first half of 2010. Our exploration and development programmes are delivering excellent results with significant new oil discoveries being made in both Ghana and Uganda and first oil from Jubilee expected before year-end. With the balance sheet strengthened at the beginning of the year, and the expected proceeds from the Uganda farm-down, we will be very well funded to pursue our exploration-led growth strategy. We look forward with confidence to a promising second half of the year and strong performance overall in 2010."

Presentation, Webcast and Conference Calls: In conjunction with these results, Tullow will conduct a presentation in London and a number of events for the financial community. Details are available on page 28 of this announcement and in the Results Centre on the Group's website at www.tulloil.com.

Interim management report

Six months ended 30 June 2010

Operations Review

AFRICA

2010 Half-yearly results highlights

Total production 37,500 boepd	Total reserves and resources 830.3 mmmboe	Sales revenue US\$384.0 million	1H 2010 investment US\$593.7 million
---	---	---	--

- Exploration and appraisal success rate 82% year-to-date;
- Owo-1 in Ghana – significant light oil discovery, drilling operations continue on appraisal sidetrack;
- High impact six month drilling campaign to commence with Onyina-1 in September;
- 1H 2010 working interest production averaged 37,500 boepd;
- Jubilee development remains on track for November or December; and
- In Uganda, Heritage acquisition and related farm-down expected to complete in the coming months.

Uganda

In the first half of 2010, Tullow progressed a series of transactions to align interests and accelerate development of the Lake Albert Rift basin which culminated in the purchase of Heritage Oil and Gas Limited's ("Heritage") interests in Blocks 1 and 3A on 26 July. The process to subsequently farm-down interests to CNOOC and Total, with each partner taking a one third interest in Blocks 1, 2 and 3A, is also well advanced. The Government of Uganda has however indicated that a dispute with Heritage over Capital Gains Tax needs to be resolved before the purchase from Heritage, and the subsequent farm-down, can be finalised.

Operationally, excellent progress has been made with a further nine successful exploration and appraisal wells drilled so far this year. Tullow's exploration and appraisal campaign of 35 successful wells out of 36 has now reached a significant milestone with an estimated 1 billion barrels (P50) of oil now discovered. In addition, the yet to find resources of 1.5 billion barrels (P50) remains unchanged.

Pre-emption and farm-down to align basin interests

On 17 January 2010, Tullow exercised its right of pre-emption to acquire Heritage's 50% operated interests in Blocks 1 and 3A in the Lake Albert Rift Basin in Uganda. The transaction received conditional Government of Uganda approval and the acquisition completed on 26 July 2010 when Tullow paid the consideration of US\$1.35 billion and a contractual settlement of US\$100 million. US\$1.05 billion was paid directly to Heritage, US\$121 million was deposited with the Ugandan Revenue Authority and US\$283 million was put into Escrow pending arbitration of the Capital Gains Tax dispute with Heritage.

Whilst effective ownership of the assets has been transferred to Tullow, the Government wishes to resolve the tax dispute prior to granting final approval to proceed. In the very short term, it is therefore anticipated that there may be some slow down in activity. This includes development activities on the Kingfisher field where the Government have indicated that they will not grant an appraisal licence extension until the tax matter is resolved. Nevertheless, the plan for overall basin development timing remains to deliver production in excess of 200,000 bopd by 2014/15.

Upon receipt of final Government approvals, Tullow plans to enter into transactions with CNOOC and Total to farm-down two thirds of its interests, in accordance with a process previously agreed with the Government. Sale and Purchase Agreements have been finalised and these transactions are expected to complete soon after approval. This will result in a unified, like-minded partnership with considerable experience and financial capability to work on an accelerated basin-wide development plan that will enable Uganda to become a significant oil producing nation.

Lake Albert Rift Basin Development

Whilst Tullow has been working on an outline of this basin-wide development plan, it is anticipated that an integrated team, formed by the new partnership, will be assembled to review and expand upon the work undertaken to date so that a final development plan can be submitted to the Government of Uganda in the first half of 2011.

In parallel, work on the first phase of development in Block 2 is progressing well. The Extended Well Testing programme, to gather essential dynamic production data from a number of fields, is on track to commence by the end of this year. The equipment is currently arriving in country and contractual negotiations to enable crude produced from the testing operations to be sold into the Ugandan industrial and power markets are well advanced.

Development work on the Nzizi field is also on track for first gas by the end of 2011. The successful Nzizi-3 appraisal well confirmed the viability of this development, which will supply a new 50 MW power plant that will be constructed as part of the basin-wide development. The plant, to be situated in the Hoima District, will be fuelled primarily by gas from the Nzizi field but will also be designed to utilise crude, providing flexible power generation.

The Front-End Engineering and Design for the Kasamene development project continues and will be completed later this year. The positive results from the Kasamene 2 & 3 appraisal wells have supported the original development concept and have now been incorporated into the development design. Information from this study, combined with the subsurface assessment, will form the basis of the Field Development Plan and Production Licence application which will be submitted to the Government of Uganda later this year to allow first oil production in late 2011.

Exploration and Appraisal activities continue to add resources

The successful exploration and appraisal campaign in Uganda has continued in 2010 with eight appraisal wells and the material Mpyo-1 exploration well all encountering hydrocarbons. These results have led to the estimated P50 resource base for Uganda being revised upwards from 800 million barrels at the beginning of the year to 1 billion barrels today.

The 2010 Ugandan drilling campaign commenced in January with the Kasamene appraisal programme in Block 2 where the OGE-750 rig drilled three wells: Kasamene-2, 3 and 3A. The programme successfully identified a deeper oil-water contact and excellent reservoir quality throughout the structure. The Kasamene-3A well also made the Wahrindi-North discovery in an adjacent fault block. These positive appraisal results give strong support to the fast-track development of this field.

In May, the Nzizi-3 appraisal well was drilled, establishing reservoir connectivity with the Nzizi-2 well and proving the well's viability as a future gas producer for the integrated power project. The well also made a new oil discovery in the basal sand section. Following Nzizi-3, a successful well intervention was carried out on Waraga-1 in which a completion was installed for future testing operations.

In June, the OGE-600 rig arrived in Block 1 and a comprehensive 2-rig exploration and appraisal campaign commenced across the Butiaba regions of Blocks 1 and 2. Four successful appraisal wells have been drilled so far; Nsoga-5, Kigogole-5 and Kigogole-2 in Block 2 and Ngiri-2 in Block-1. Of particular note is the result at Ngiri-2 which was testing a fault block adjacent to the Ngiri-1 discovery. The well proved up two oil zones taking the field resources to in excess of 100 million barrels. The well intersected 40 metres of net oil pay, the thickest pay so far encountered in the Butiaba area, demonstrating that after over 30 wells, the Lake Albert Rift basin continues to deliver from the undrilled potential. Ngiri-2 will be flow tested later in 2010 and further appraisal drilling will also take place on the field in Q4 2010.

The Kigogole-5 and Kigogole-2 appraisal wells were drilled in July and August encountering 14 metres and 16 metres of oil bearing reservoir respectively. Kigogole-2 drilled into a large fault block adjacent to the Nsoga-1 discovery confirming a deep contact in common with the Nsoga-1 well. This fault block, and the Nsoga fault block, will be the site of a significant appraisal campaign in 2011. The combined Kigogole-Nsoga discovery has the potential to cover an area in excess of 70 sq km.

The OGE-600 rig is now focusing on exploration drilling in Block 1 for the remainder of 2010. The first well in this campaign was Mpyo-1 which encountered over 32 metres of oil bearing reservoir in two zones. The discovery covers an area in excess of 20 sq km. Its updip extent is unclear and will need to be refined with further appraisal drilling. The well has also de-risked two large downdip fault blocks, the amplitude

supported Miparaki and Gunya prospects which will be drilled in the forthcoming exploration campaign. The rig will now move north of the river Nile to drill the material Jobi-East prospect and to appraise the Jobi-Rii discovery.

In addition to the drilling, Tullow has been actively acquiring a 200 km 2D seismic infill survey over the key discoveries in the Butiaba Area and will commence the first part of a multi-phase 3D seismic acquisition programme in October over the Kasamene, Wairindi and Ngiri fields. This will subsequently be extended across the play to ensure that all Victoria Nile discoveries are developed in the most optimum fashion. Further seismic acquisition across Block 1 has commenced and is designed to appraise the existing discoveries, firm up some material leads and identify new exploration prospects for drilling in 2011.

Congo (DRC)

Tullow was awarded two Congo (DRC) licences adjacent to its Ugandan acreage on Lake Albert in 2006 through a transparent process in which a signature bonus of US\$0.5 million was paid. Tullow have been awaiting ratification from the President ever since. However on 24 June 2010, it appears that the government awarded the licences via Presidential decree to two British Virgin Islands-registered companies. Tullow has commenced legal proceedings to challenge that award.

Ghana

The first half of 2010 has been a period of outstanding achievement for Tullow's operations in Ghana. The Jubilee FPSO arrived from Singapore in June and is now moored over the field, the subsea infrastructure is 85 per cent complete and within four months, first oil is expected to flow. Successful exploration in the high equity Deepwater Tano licence has resulted in two major discoveries; Owo and Tweneboa. Further appraisal of these discoveries will commence with the Deepwater Millennium rig in the fourth quarter.

Jubilee Phase 1 development

Phase 1 of the Jubilee development project remains on track for first oil before year-end. This will be just 40 months since the field was discovered, a remarkable achievement for a major deepwater project in a new oil province.

During the first half of the year, FPSO construction work was completed and the vessel was named, 'Kwame Nkrumah', in honour of the First President of Ghana, at a ceremony in Singapore on 1 May before setting sail for Ghana. The major subsea equipment installation was also completed including the laying of all flowlines, control umbilicals and the deployment of all subsea trees on the Phase 1 wells. The FPSO, which arrived offshore Ghana in June, has been moored on station and riser installation work connecting the FPSO to the seabed flowlines is currently underway. In parallel, integration and commissioning work is taking place in advance of first oil production.

Phase 1 drilling operations finished in the first quarter of 2010 and were followed by well completion operations. A mechanical failure in the first completion (J-01) resulted in the need to workover the well adding time and cost to the project. However, the second completion (J-02) has been installed on schedule and is ready for production with a capacity exceeding 25,000 barrels per day. Due to time lost with the initial workover, the Sedco 702 rig will work in parallel with the Eirik Raude rig from late September to accelerate completion activities.

Production start-up is expected to commence in November or December 2010 and will ramp up to 120,000 barrels per day over the following three to six months. Pressure support from water injection will also be available at production start-up and gas injection shortly thereafter. The cost for the Phase 1 development is forecast at approximately US\$3.35 billion, within 10% of the original US\$3.15 billion budget.

In-country infrastructure work in Accra and Takoradi is essentially complete for both the project installation and the subsequent production phase. Tullow Ghana's new headquarters in Accra were officially opened in June.

Future Jubilee developments

Development planning of Phases 1a and 1b to extend Jubilee's production plateau and ensure optimisation of field reserves is now well advanced. Phase 1a will involve 5 to 8 infill wells tied into existing infrastructure and Phase 1b, with further expansion of the subsea infrastructure, may involve up to 20 additional wells. Timing of these additional phases will depend on the performance of the Phase 1 wells and the FPSO vessel but sanction is likely within the next one to two years.

The drilling of the Mahogany-5 well in June completed the appraisal of the southeast Jubilee area following success in the previously drilled Mahogany-3, Mahogany-4 and Mahogany Deep-2 wells. The results of this programme are now being incorporated into the field model and development planning is under way with both independent and satellite development options being considered. A Declaration of Commerciality report is expected to be submitted to the Government of Ghana by the West Cape Three Points Operator, Kosmos Energy, in September. This will be followed by further work on a development plan for the area to be submitted in 2011 which will confirm project reserves, timing and cost.

Exploration and appraisal activities

Exploration and appraisal activities in the first half of 2010 have continued to be successful in Ghana. In the Deepwater Tano licence, appraisal of the Tweneboa field began in February when the Tweneboa-2 exploratory appraisal well intersected a significant combined hydrocarbon column and, combined with the Tweneboa-1 discovery in 2009, established Tweneboa as a major oil and gas-condensate field. To obtain further information regarding the characteristics of the hydrocarbons and reservoirs, and to support the extensive development studies which are already underway, two further Tweneboa appraisal wells are planned to commence in the fourth quarter of 2010. A flow test of one of the wells is also planned for early 2011.

In July, the Owo-1 oil discovery continued the extraordinary success of Tullow's West African Equatorial Atlantic campaign. The well, drilled by the Sedco 702 rig, intersected a 154 metre gross reservoir section with 53 metres of excellent quality light oil pay and established Owo as a major new oil field requiring further appraisal. In August, the Owo-1 well was sidetracked to test the lateral reservoir distribution and to intersect a deeper part of the Owo Channel system. Operations on the well are expected to complete within the next two weeks. The rig will then move to drill the high potential Onyina prospect which sits between the Tweneboa and Jubilee fields.

In the West Cape Three Points licence, the Dahoma-1 exploration well was drilled in April to explore a down-dip satellite prospect within the southeast Jubilee area, outside of the main Jubilee Unit Area. It intersected good quality sandstone reservoirs below a possible oil-water contact and an up-dip test of this area is planned for early 2011.

The next well to be drilled in the West Cape Three Points block will target the Teak exploration prospect. This well will be drilled by the Atwood Hunter rig when it returns from drilling for another Operator in late 2010 and will be followed by a series of prospects including Dahoma Up-dip, South Central Channel, Odum East, Banda West and the South East Channel prospect.

Deepwater Tano discoveries – conceptual development work commences

Following the discoveries made at Tweneboa and Owo in the Tullow-operated Deepwater Tano licence, conceptual study work has commenced with a dedicated team examining both technical and commercial aspects of development. The conceptual work will be carried out in parallel with the major appraisal drilling programme which is scheduled to commence in the fourth quarter using the Deepwater Millennium rig.

Sierra Leone & Liberia

Interpretation of the 10,000 sq km of 3D data over Sierra Leone and Liberia is well advanced and has highlighted several prospects for drilling. One well, targeting the Mercury prospect, is now scheduled to be drilled in Sierra Leone in September 2010 by the Deepwater Millennium rig. In Liberia, the potentially high impact Cobalt prospect has had to be delayed until late 2010 or early 2011 due to competing rig priorities of the Owo and Tweneboa appraisal programmes in Ghana. Meanwhile, the team continues to work with partners on the detailed interpretation of numerous follow-up prospects in this highly attractive play fairway.

Equatorial Guinea

Gross combined production from the Ceiba and Okume Complex fields averaged 110,000 bopd in the first half of 2010, exceeding expectations, with full year gross production expected to average 108,500 bopd. Nine wells have been drilled this year on Oveng and Elon within the Okoume Complex, completing the current phase of development drilling. To optimise the targeting of future infill wells, a time-lapse 3-D (4-D) seismic survey is to be shot over both the Ceiba Field and Okume Complex in the second half of 2010.

Côte d'Ivoire

High end processing of the large 3D surveys acquired in blocks CI-103 and CI-105 in 2010 is well advanced. The emerging prospects are very encouraging and one well is scheduled for each block in 2011.

Production performance from the East and West Espoir Fields was marginally below potential for the first half of the year due to the planned shutdown for the hook up and commissioning of FPSO facility upgrades. These upgrades are designed to provide improved water handling, gas lift and gas export, as well as adding capacity to support future infill drilling projects on both fields. Gross production for 2010 is expected to average 19,350 boepd.

Gabon

In the first half of 2010, Tullow's net production in Gabon averaged 12,700 bopd. The Echira and Tchataba fields performed well and the Niungo field was enhanced by the addition of two-infill wells.

On the prolific Omoueyi block, the Onal and Omko fields, in which Tullow exercised its back-in rights in 2009, are performing well. In the same block, the Gwedidi and Mbigou fields are under long term test before development and Tullow expects to exercise its rights on these fields before year-end. Additionally, the Maroc North discovery, to the south of Onal in the Omoueyi block, is being appraised with a six-well drilling programme which is expected to complete in early 2011.

In April, the Noix-de-Coco-1 exploration well was drilled on the Azobe exploration block and encountered wet gas within the Cretaceous interval. Sandstones within the main objective were however of poor quality at this location and the well has been plugged and abandoned.

Congo (Brazzaville)

Production from the Mboundi field has been stable at around 38,000 bopd (gross). This is still below expectations due to a combination of reservoir performance and delays in the ramp up of water injection. A temporary pumping system has allowed water injection to ramp up to 120,000 bwpd and a new pump is being installed to reach the targeted 200,000 bwpd rate later this year. In the meantime, infill drilling efforts are maintained to offset production decline with six rigs active on the field.

Mauritania

Regional evaluation of the Mauritanian acreage is at an advanced stage and detailed prospect specific mapping continues to define good drilling candidates. Seismic interpretation has focused on generating prospects in the Cretaceous turbidite sequences, which are similar to those being successfully explored in Ghana. The upcoming exploration drilling campaign will commence with two wells in the second half of 2010. In Block 6 the potentially significant Sidewinder prospect will be drilled. It is of particular interest, sharing several geological and geophysical characteristics with Owo in Ghana, however it carries higher risk, being a more frontier exploration target. In Block 7, the Pelican gas discovery will be appraised and the well will be deepened to penetrate the untested closure at the Cretaceous reservoir level. A rig has been contracted for commencement of these wells in October.

Significant progress has been made with both the partners and the Government in reviewing the development options that would allow commercialisation of the Banda gas field. The development options are currently under discussion with the Mauritanian Government to ensure that they meet the Government's objectives.

Gross production from the Chinguetti field averaged approximately 8,400 bopd for the first half of 2010 and has declined in line with expectations.

Tanzania

The Likonde-1 exploration well located in the Lindi Block in the Ruvuma Basin of Southern Tanzania completed drilling in April. The well intersected two sandstone intervals of over 250 metres combined thickness with evidence of residual oil and gas. The valuable geological insights gained continue to be incorporated into the regional model before the second well in the programme is drilled next year.

Kenya

In August, Tullow agreed to farm-in to a 50% operated interest in Centric Energy's 100% owned Block 10BA in north-western Kenya subject to completion of due diligence, negotiating the necessary agreements and receiving Government of Kenya approval. This frontier acreage covers 16,205 sq km and will be evaluated for its possible long-term hydrocarbon potential.

Namibia

Tullow is working with its partners NAMCOR, Gazprom International and Itochu to finalise the agreements required to underpin the new Kudu Production Licence awarded to the consortium in October last year. Work has commenced on revalidating and updating previous FEED studies. In parallel, NamPower and Gazprom International are working on establishing the downstream entity that will build, own and operate the proposed 800MW power station. Talks are ongoing with South African authorities as the targeted buyer of electricity in excess of Namibia's requirements.

REST OF THE WORLD

2010 Half-yearly results highlights

Total production 18,300 boepd	Total reserves and resources 58.4 mmmboe	Sales revenue US\$101.9 million	1H 2010 investment US\$57.6 million
---	--	---	---

- 1H 2010 working interest production averaged 18,300 boepd;
- UK production above expectations due to excellent performance from Schooner and Ketch ;
- Successful Ketch (KA8z) infill well; production expected to commence in September ;
- Vessel secured for a 1,500 sq km 3D seismic survey over Netherlands blocks E10, E14, E15c, E11 and E18b during H2 2010; and
- Shekhan-1 gas discovery in Pakistan flowed at 15 mmscfd on test.

Europe

UK

Thames Area

Production from the Thames Area averaged 18 mmscfd net in the first half of 2010. Fields are facing natural decline but have performed well with high production efficiency throughout the period.

CMS Area

Production from the CMS Area averaged 55 mmscfd net in the first half of 2010 supported by strong performance from the Tullow-operated Schooner and Ketch fields. The Ketch infill well, KA8z was successfully tested at rates significantly in excess of expectations. Following the success of this well further infill drilling is under consideration. The KA8z well is currently being connected to the production systems and is expected to come on stream in late August at a rate of approximately 25 mmscfd.

Netherlands

Following E-block seismic reprocessing results, the 2010 technical work programme has been developed to include a large (1,500 sq km) 3D seismic acquisition. This high spec shoot is planned to further de-risk a maturing prospect inventory. The acquisition is forecast to be completed in September 2010 and as a consequence of the revised work programme, the first Tullow-operated Dutch exploration well is likely to be postponed to the second half of 2011 after the delivery and interpretation of the processed results.

Tullow, as a non-operator, will be participating in our first Dutch exploration well in Q3 2010. The well will target the Carboniferous Muscovite prospect which extends into Block E13b.

Portugal

Following the successful completion of work programme commitments and a detailed evaluation of the full subsurface dataset, our operated interest in this acreage has now been fully transferred to other parties within the Joint Venture.

South Asia

Bangladesh

Gross production from the Bangora field averaged 109 mmscfd in the first half of 2010. The field production efficiency has been high with the exception of a 17-day period in June when the field had to be shut-in for repairs to a short section of the export pipeline. Negotiations with the Bangladesh Government

to finalise the award of offshore exploration Block SS-08-05 are on hold pending news on progress of a border dispute with India and Myanmar.

Pakistan

In the Kohat Block, the Shekhan-1 exploration well reached TD (2,810m) on 4 February after intersecting 45 metres of net gas pay in a gross interval of 93 metres in the Lumshiwai sandstone reservoir. Subsequent testing at over 15 mmscfd confirmed the presence of a potentially commercial high-quality gas reserve. The success at Shekhan-1 reduces risk at the adjacent Kohat Central lead and Kohat West prospect. Options now under consideration include an early production facility, seismic and drilling along the new de-risked play fairway.

South America

French Guiana

After a successful farm-down process to Shell (33%) and Total (25%) in 2009, Tullow retained an interest of 39.5% in the 35,000 sq km Guyane Maritime licence offshore French Guiana. A number of Jubilee-type leads have been identified in the south-eastern part of the block and the acquisition of a large 3D seismic programme (2,500 sq km) was completed in early February 2010. Processing and interpretation of this dataset is ongoing and planning for the first well on the material Zaedyus prospect is continuing, with a target spud date of February 2011.

Guyana

Interpretation of the Georgetown block 3D seismic data acquired in January 2009 has identified a number of prospects in the Upper Cretaceous and Tertiary intervals. A drilling programme, to test the primary prospect with the Jaguar-1 well, is scheduled to commence during Q1 2011, whilst the other identified prospects are under continued evaluation.

Suriname

The five-well drilling programme on the onshore Coronie licence is now scheduled to commence in Q4 2010.

On 17 May Tullow announced that it had signed a Heads of Agreement with Staatsolie in relation to Block 47, a 2,369 sq km deepwater exploration license offshore Suriname. The signing will enable the parties to finalise a Production Sharing Contract for the Block and enhance Tullow's portfolio of high-impact exploration acreage in the emerging Suriname-Guyana Basin with a view to commencing exploration activities including acquisition of new seismic data in 2011.

Finance review

Following its announcement on 6 July 2010, Tullow Oil plc (“the Company”, together with its subsidiaries, “the Group”) has changed its presentational currency from sterling to US dollars with effect from 1 January 2010, due to the majority of oil revenues and costs now being dollar denominated.

Tullow’s half-yearly results are in line with expectations and primarily reflect higher average price realisations which increased by over 30% in the period offset by a 6% decrease in production to 55,800 boepd. Profit after tax increased 184% to \$89.0 million (1H2009: \$31.3 million) and earnings per share increased 134% to 9.4 cents (1H2009: 4.0 cents).

Key financial metrics	1H 2010	1H 2009	Change
Production (boepd, working interest basis)	55,800	59,265	-6%
Sales volume (boepd)	44,200	53,100	-17%
Realised oil price per bbl (US\$)	77.0	53.0	45%
Realised gas price (pence per therm)	34.0	42.4	-20%
Cash operating costs per boe (\$) ¹	11.9	10.7	11%
Operating cash flow before working capital per boe (\$)	36.3	28.2	29%
Net debt ² (\$million)	203.3	710.0	-71%
Interest cover ³	57.4	11.7	45.7 times
Gearing (%) ⁴	5	29	-24%

¹ Cash operating costs are cost of sales excluding depletion, depreciation and amortisation, impairment loss and under/over lift movements.

² Net debt is financial liabilities gross of unamortised arrangement fees less cash and cash equivalents.

³ Interest cover is earnings before interest, impairment losses and depreciation charges divided by net finance costs (excluding gains/losses on interest rate hedges).

⁴ Gearing is net debt net of unamortised arrangement fees divided by net assets.

Operating performance

Working interest production averaged 55,800 boepd, in line with expectations but 6% below the corresponding period in 2009. This reduction was due to natural decline in mature fields and deferred production due to the reallocation of capital to development projects and high-impact exploration. Sales volumes averaged 44,200 boepd, representing a decrease of 17%, principally due to changes in the proportion of sales arising from Production Sharing Contracts (PSC).

Realised oil price was US\$77.0/bbl (1H2009: US\$53.0/bbl), an increase of 45% and realised gas price was 34.0p/therm (1H2009: 42.4p/therm), a decrease of 20%. Tullow’s oil production was sold at a discount of 2% to Brent during the period (1H2009: 2% discount).

Increased commodity prices were partially offset by lower sales volumes resulting in an overall revenue increase of 11% to \$485.9 million (1H2009: \$438.5 million).

2010 Half-yearly revenue by segment	Oil	Gas	Total	% of Total
	\$ million	\$ million	\$ million	
Africa	384.0	-	384.0	79%
Europe	-	92.2	92.2	19%
South Asia	-	9.7	9.7	2%
Total	384.0	101.9	485.9	
% contribution to the Group	79%	21%		

Underlying cash operating costs, which exclude depletion, depreciation and amortisation and movements on under/overlift, amounted to \$121.1 million (\$11.9/boe) (1H2009: \$10.7/boe) and depreciation, depletion and amortisation charges for the period amounted to \$172.3 million (\$16.8/boe) (1H2009:

\$15.7/boe). The Group has also recognised an impairment charge of \$6.4million (1H2009: \$17.1 million) within cost of sales in relation to the Chinguetti field in Mauritania. At the period-end, Tullow was in a net underlift position of 93,000 barrels. The movements during 2010 in the underlift position compared with the 2009 year end position during the period have given rise to a credit of \$22.6 million to cost of sales.

Operating profit before exploration activities amounted to \$176.9million (1H2009: \$112.7 million), an increase of 57%, principally due to the higher realised oil prices during the period.

Administrative expenses of \$32.3 million (1H2009: \$29.6 million) include an amount of \$7.0 million (1H2009: \$8.0 million) associated with share-based payments under IFRS 2.

Exploration write-off

Exploration costs written-off were \$52.5 million (1H2009: \$21.0 million), in accordance with the Group's 'successful efforts' accounting policy. This write-off is principally due to unsuccessful activities in Gabon and Tanzania and new ventures activities and licence relinquishments.

Derivative instruments

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

At 30 June 2010, the Group's commodity derivative instruments had a net negative mark-to-market value of \$11.3 million (1H 2009: net positive \$28.0 million). The movement in the mark-to-market position during the first half of 2010 is a result of gas price strengthening partially offset by oil price weakening during the first half of 2010.

The Group's interest rate derivative instruments had a net negative mark-to-market value of \$14.7 million (1H 2009: net negative \$5.7 million). The movement in the mark to market position is due to a reduction of US\$ swap rates during the period.

While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a credit of \$11.6 million (1H2009: charge of \$14.6 million) has been recognised in the income statement for the first half of 2010. The credit has been principally caused by Brent oil prices weakening during the first half of 2010, with a consequent increase in the time value of the Group's derivative instruments.

The Group's hedge position as at 20 August 2010 can be summarised as follows:

Hedge position	2H2010	2011	2012	2013
Oil				
Volume – bopd	14,500	13,000	9,500	3,500
Current Price Hedge - US\$/bbl	78.51	78.21	81.41	83.37
Gas Hedges				
Volume – mmscfd	35.69	17.23	9.25	0.61
Current Price Hedge - p/therm	45.25	49.45	53.52	60.20

Gearing, financing costs and interest cover

The net interest charge for the period was \$5.5 million (1H2009: \$25.6 million) and reflects the significant reduction in average net debt levels experienced during the first half of 2010, principally due to the equity placing which raised net proceeds of \$1.45 billion in January 2010 and an increase in interest capitalised on qualifying development assets. At 30 June 2010, Tullow had net debt of \$203.3 million (1H2009: \$710.0 million), while unutilised debt capacity was in excess of US\$670 million. The Group's gearing is 5% (1H2009: 29%) and interest cover has increased to 57.4 times (1H2009: 11.7 times).

Taxation

The tax charge of \$41.5 million (1H2009: \$20.2 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Mauritanian activities and represents 32% of the Group's profit before tax (1H2009: 38%). After adjusting for exploration costs and profit on disposal of subsidiaries, the Group's underlying effective tax rate is 23% (1H2009: 29%).

Dividend

The Group continues to have significant investment opportunities within its portfolio to increase shareholder value and the Board feels that it is appropriate to hold the interim dividend at the 2009 level. Although the presentational currency of the Group has changed to US Dollars with effect from 1 January 2010, the Group has decided to continue to declare dividends in Sterling and consequently the Board has declared an interim dividend of 2.0 pence per share (1H2009: 2.0 pence per share). The dividend will be paid on 4 November 2010 to shareholders on the register on 1 October 2010.

Operating cash flow and capital expenditure

Increased commodity prices led to operating cash flows before working capital movements of \$366.6 million (1H2009: \$302.5 million). This cash flow, together with the equity placing proceeds, facilitated investment of \$651.3 million in exploration and development activities, payment of a final dividend and servicing of the Group's debt facilities.

2010 capital expenditure is now expected to be approximately \$1.5 billion. This investment will be split 60% on production and development and the remainder on exploration and appraisal. Tullow's activities in Ghana and Uganda will comprise 65% of the anticipated capital outlay.

Long-term funding

Tullow successfully placed 80.4 million new ordinary shares with institutional investors at a price of 1,150p per share on 27 January 2010. The placing shares represented an increase of approximately 9.9% of the Group's existing share capital. The proceeds from the placing were principally used to fund the purchase of the entire Ugandan interests of Heritage Oil Plc.

In May 2010, Tullow increased the commitments of its Reserve Based Lending facility by US\$500 million to US\$2.5 billion and now has total debt facilities of US\$2.75 billion. Tullow will utilise the increased facilities to finance the future capital requirements of the Group.

Risk factors

The Board determines the specific key risks for the company and required mitigation plans and reviews delivery on a monthly basis. The principal risks and uncertainties facing the Group, their potential impact and the mitigation strategies developed were detailed in the Annual Report and Accounts 2009 (available on our website www.tulloil.com). All the risk and uncertainties which were outlined at that time have not changed and remain appropriate. The Group has identified its principal risks for the second half of 2010 as being:

- Execution risk in major development projects in Ghana and Uganda; and
- Exploration risk in the context of a very active programme.

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. The Group 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 major assumption in current cash flow forecasts is that the receipt of disposal proceeds from the Uganda farm-down will be received in Q4 2010. On this basis, 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 very significant financial headroom for the 12 months from the date of the 2010 half-yearly accounts. However, in the unlikely event that the Ugandan farm-down process is delayed beyond Q4 2010, the Directors are confident that the Group can manage its financial affairs, including the securing of additional funding, agreement with existing lenders, portfolio management and deferring of non-essential capital expenditure, so as to ensure that it has sufficient funding for the next twelve months. Therefore, notwithstanding the above uncertainties, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

Financial strategy and outlook

Our financial strategy continues to be to maintain flexibility to support the Group's significant appraisal and development programmes in Ghana and Uganda and effectively allocate capital across the remainder

of our business. This financial flexibility has been materially enhanced during the first half of 2010 by a successful equity placing and the expansion of our debt facilities to \$2.75 billion. The finalisation of the Uganda farm-down in the second half of 2010 will create a strong platform for future investment.

The outlook for the remainder of 2010 and the coming years is positive for Tullow. The Jubilee development is on track for first oil in the second half of 2010 and good progress is being made in Uganda towards development and production of the significant discovered resources. Over the next 12 months we plan to drill exploration and appraisal wells in Côte d'Ivoire, French Guiana, Ghana, Sierra Leone and Uganda which have the potential to add material resources to the Group. Overall, we are well placed to deliver growth in shareholder value over the coming years.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of Tullow Oil plc are as listed in the Group's 2009 Annual Report and Accounts. A list of the current Directors is maintained on the Tullow Oil plc website: www.tulloil.com.

By order of the Board,

Aidan Heavey
Chief Executive Officer
24 August 2010

Ian Springett
Chief Financial Officer
24 August 2010

Ends

Disclaimer

This statement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Group's control or within the Group's control where, for example, the Group decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward-looking statements.

Independent review report to Tullow Oil plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the income statement, the balance sheet, the statement of comprehensive income and expense, the statement of changes in equity, the cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, UK
24 August 2010

Condensed consolidated income statement

Six months ended 30 June 2010

	Note	6 months ended 30.06.10 Unaudited \$'m	6 months ended 30.06.09 Unaudited \$'m	Year ended 31.12.09 Audited \$'m
Sales revenue	6	485.9	438.5	915.9
Cost of sales		(277.2)	(300.5)	(625.5)
Gross profit		208.7	138.0	290.4
Administrative expenses		(32.3)	(29.6)	(77.6)
Profit on disposal of subsidiaries		-	3.9	16.0
Profit on disposal of oil and gas assets		0.5	0.4	4.9
Exploration costs written off		(52.5)	(21.0)	(82.7)
Operating profit		124.4	91.7	151.0
Gain/(loss) on hedging instruments		11.6	(14.6)	(59.8)
Finance revenue		12.5	1.3	2.1
Finance costs		(18.0)	(26.9)	(60.8)
Profit from continuing activities before tax		130.5	51.5	32.5
Income tax expense	9	(41.5)	(20.2)	(1.9)
Profit for the period from continuing activities		89.0	31.3	30.6
Attributable to:				
Equity holders of the parent		81.7	31.6	25.2
Non-controlling interest		7.3	(0.3)	5.4
		89.0	31.3	30.6
Earnings per ordinary share		c	c	c
- Basic	3	9.35	4.00	3.17
- Diluted	3	9.23	3.96	3.13

Condensed consolidated statement of comprehensive income and expense

Six months ended 30 June 2010

	6 months ended 30.06.10 Unaudited \$'m	6 months ended 30.06.09 Unaudited \$'m	Year ended 31.12.09 Audited \$'m
Profit for the period	89.0	31.3	30.6
Cashflow hedges			
Losses arising in the period	(7.7)	(63.9)	(32.3)
Reclassification adjustments for losses included in profit on realisation	(12.3)	(0.4)	(23.8)
	(20.0)	(64.3)	(56.1)
Exchange differences on translation of foreign operations	(18.7)	46.2	42.0
Other comprehensive income before tax	(38.7)	(18.1)	(14.1)
Tax relating to components of other comprehensive income	6.4	14.3	12.4
Other comprehensive income for the period	(32.3)	(3.8)	(1.7)
Total comprehensive income for the period	56.7	27.5	28.9
Attributable to:			
Equity holders of the parent	49.4	27.8	23.5
Non-controlling interest	7.3	(0.3)	5.4
	56.7	27.5	28.9

Condensed consolidated balance sheet

As at 30 June 2010

	30.06.10 Unaudited \$'m	30.06.09 Unaudited \$'m	31.12.09 Audited \$'m
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	2,288.6	1,961.9	2,121.6
Property, plant and equipment	2,424.5	1,957.5	2,199.8
Investments	1.0	0.6	1.0
Deferred tax assets	54.6	-	50.4
Derivative financial instruments	-	14.3	-
	4,768.7	3,934.3	4,372.8
Current assets			
Inventories	127.8	78.3	109.6
Trade receivables	110.4	102.2	92.4
Other current assets	474.8	301.4	296.0
Cash and cash equivalents	1,592.5	229.1	252.2
Derivative financial instruments	-	8.0	2.3
	2,305.5	719.0	752.5
Total assets	7,074.2	4,653.3	5,125.3
LIABILITIES			
Current liabilities			
Trade and other payables	(663.6)	(578.2)	(557.1)
Current tax liabilities	(65.8)	(42.0)	(73.8)
Derivative financial instruments	(12.5)	-	-
	(741.9)	(620.2)	(630.9)
Non-current liabilities			
Trade and other payables	(29.9)	(6.6)	(31.8)
Other financial liabilities	(1,669.2)	(851.6)	(1,314.6)
Deferred tax liabilities	(445.6)	(515.5)	(473.5)
Provisions	(274.5)	(215.0)	(223.5)
Derivative financial instruments	(13.5)	-	(20.0)
	(2,432.7)	(1,588.7)	(2,063.4)
Total liabilities	(3,174.6)	(2,208.9)	(2,694.3)
Net assets	3,899.6	2,444.4	2,431.0
EQUITY			
Called up share capital	143.3	129.8	130.1
Share premium	247.6	786.0	242.3
Other reserves	582.2	616.0	614.5
Retained earnings	2,877.1	876.2	1,402.0
Equity attributable to equity holders of the parent	3,850.2	2,408.0	2,388.9
Non-controlling interest	49.4	36.4	42.1
Total equity	3,899.6	2,444.4	2,431.0

Condensed consolidated statement of changes in equity

As at 30 June 2010

	Share Capital \$'m	Share Premium \$'m	Other Reserves (note 8) \$'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 comprehensive income and expense	-	-	(3.8)	31.6	27.8	(0.3)	27.5
Purchase of treasury shares	-	-	(2.3)	-	(2.3)	-	(2.3)
Issue of equity shares	9.7	549.3	-	-	559.0	-	559.0
New shares issued in respect of employee share options	0.4	5.6	-	-	6.0	-	6.0
Vesting of PSP shares	-	-	11.0	(11.0)	-	-	-
Share-based payment charge	-	-	-	8.0	8.0	-	8.0
Dividends paid	-	-	-	(47.9)	(47.9)	-	(47.9)
At 30 June 2009	129.8	786.0	612.7	879.3	2,407.8	36.4	2,444.2
Total comprehensive income and expense	-	-	2.1	(6.4)	(4.3)	5.7	1.4
Purchase of treasury shares	-	-	(3.4)	-	(3.4)	-	(3.4)
New shares issued in respect of employee share options	0.3	5.6	-	-	5.9	-	5.9
Equity raise transfer	-	(549.3)	-	549.3	-	-	-
Vesting of PSP shares	-	-	3.1	(3.1)	-	-	-
Share-based payment charge	-	-	-	10.3	10.3	-	10.3
Dividends paid	-	-	-	(27.4)	(27.4)	-	(27.4)
At 31 December 2009	130.1	242.3	614.5	1,402.0	2,388.9	42.1	2,431.0
Total comprehensive income and expense	-	-	(32.3)	81.7	49.4	7.3	56.7
New shares issued in respect of employee share options	0.1	3.2	-	-	3.3	-	3.3
New shares issued	13.1	2.1	-	1,433.0	1,448.2	-	1,448.2
Vesting of PSP shares	-	-	-	(0.3)	(0.3)	-	(0.3)
Share-based payment charge	-	-	-	11.8	11.8	-	11.8
Dividends paid	-	-	-	(51.1)	(51.1)	-	(51.1)
At 30 June 2010	143.3	247.6	582.2	2,877.1	3,850.2	49.4	3,899.6

During the period the Company issued 80,431,796 ordinary shares via an equity placing. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of \$1,465 million (\$1,433 million net of expenses), using the market value at the date of acquisition, to retained earnings as the premium is considered to be realised.

Condensed consolidated cash flow statement

Six months ended 30 June 2010

	Note	6 months ended 30.06.10 Unaudited \$'m	6 months ended 30.06.09 Unaudited \$'m	Year ended 31.12.09 Audited \$'m
Cash flows from operating activities				
Cash generated from operations	7	317.0	169.7	463.6
Income taxes paid		(69.0)	(159.0)	(187.1)
Net cash flow from operating activities		248.0	10.7	276.5
Cash flows from investing activities				
Disposal of subsidiaries		-	3.9	5.1
Disposal of oil and gas assets		0.5	7.2	12.3
Purchase of intangible exploration & evaluation assets		(195.1)	(439.4)	(668.4)
Purchase of property, plant and equipment		(299.4)	(113.8)	(520.9)
Advances to contractors		(129.9)	-	-
Finance revenue		10.2	1.3	1.2
Net cash used in investing activities		(613.7)	(540.8)	(1,170.7)
Cash flows from financing activities				
Net proceeds from issue of share capital		1,449.3	564.8	570.6
Debt arrangement fees		(11.8)	(75.3)	(100.5)
Asset purchase arrangement fees		(37.3)	-	-
Repayment of bank loans		(47.3)	(313.4)	(376.3)
Drawdown of bank loan		450.3	191.8	701.9
Finance costs		(39.4)	(16.4)	(49.2)
Dividends paid		(51.1)	(47.9)	(75.3)
Purchase of treasury shares		-	(2.3)	(5.5)
Net cash generated by financing activities		1,712.7	301.3	665.7
Net increase/(decrease) in cash and cash equivalents		1,347.0	(228.8)	(228.5)
Cash and cash equivalents at beginning of period		252.2	450.3	450.3
Translation difference		(6.7)	7.6	30.4
Cash and cash equivalents at end of period		1,592.5	229.1	252.2

Notes to the half-yearly financial statements

Six Months ended 30 June 2010

1. General information

The financial information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2009, a copy of which has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) of the Companies Act 2006.

Following its announcement on 6 July 2010, Tullow Oil plc, ("the Company", together with its subsidiaries, "the Group") has changed its presentational currency from sterling to US dollars with effect from 1 January 2010, due to the majority of oil revenues and costs being dollar denominated. These are the first financial statements to be presented in US dollars and all comparative information has been restated in accordance with the requirements set out in IAS 21 "The Effects of Changes in Foreign Exchange Rates" with respect to translation of results to presentational currency:

- a. assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rate prevailing at the balance sheet dates;
- b. non-US dollar income and expenses were translated into US dollars at an exchange rate which approximates to the exchange rate ruling at the date of transactions; and
- c. all resulting exchange rate differences have been recognised in other comprehensive income, within the foreign currency translation reserve.

In light of the ever increasing operations of the Group being conducted in US dollars and the majority of the Group's external funding being provided in US dollars management have reviewed the functional currency of Tullow Oil Plc (Company only) and have concluded that it is appropriate for the functional currency of the Company to be converted from Sterling to US dollars (effective date of 1 January 2010).

2. Accounting policies

The annual financial statements of Tullow Oil plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority.

Basis of preparation

The condensed set of financial statements included in this half-yearly financial report have been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future as explained in the Finance Review.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the group's latest audited annual statements.

3. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of \$81.7 million (1H2009: \$31.6 million) and a weighted average number of shares in issue of 872.6 million (1H2009: 791.4 million).

The calculation of diluted earnings per share is based on the profit for the period after taxation as for basic earnings per share. The number of shares outstanding, however, is adjusted to show the potential dilution if employee share options are converted into ordinary shares. The weighted average number of ordinary shares is increased by 11.8 million (1H2009: 7.5 million) in respect of employee share options, resulting in a diluted weighted average number of shares of 881.9 million (1H2009: 798.8million).

4. Dividends

The Company's shareholders approved a final dividend for the year ended 31 December 2009 of 4p per share at the Annual General Meeting on 12 May 2010. This amount was paid on 21 May 2010 to shareholders on the register of members of the Company on 16 April 2010.

The Board has declared an interim 2010 dividend of 2p per share in the half year to 30 June 2010 to be paid on 4 November 2010 to shareholders on the register on 1 October 2010 (1H2009: 2p per share).

5. Approval of Accounts

These half-yearly financial statements (Unaudited) were approved by the Board of Directors on 24 August 2010.

6. 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 four geographical markets that the Group operates within Africa, Europe, South Asia and South America.

The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the six months ended 30 June 2010 and 2009 and for the year ended 31 December 2009.

Six months ended 30 June 2010	Africa \$'m	Europe \$'m	South Asia \$'m	South America \$'m	Unallocated \$'m	Total \$'m
Sales revenue by origin	384.0	92.2	9.7	-	0.0	485.9
Segment result	181.1	(25.1)	4.0	(0.2)	(3.6)	156.2
Profit on disposal of oil and gas assets						0.5
Unallocated corporate expenses						(32.3)
Operating profit						124.4
Gain on hedging instruments						11.6
Finance revenue						12.5
Finance costs						(18.0)
Profit before tax						130.5
Income tax expense						(41.5)
Profit after tax						89.0
Total assets	6,183.6	498.9	80.3	148.9	162.5	7,074.2
Total liabilities	(1,151.0)	(253.4)	(20.9)	(31.4)	(1,717.9)	(3,174.6)
Other segment information						
Capital expenditure:						
Property, plant and equipment	383.3	38.2	0.4	-	4.3	426.2
Intangible fixed assets	210.4	9.2	4.6	(3.3)	4.2	225.1
Depletion, depreciation and amortisation	(102.1)	(70.2)	(4.0)	-	(0.5)	(176.8)
Impairment losses recognised in income	(6.4)	-	-	-	-	(6.4)
Exploration costs written off	(33.3)	(14.7)	(0.1)	(0.2)	(4.2)	(52.5)

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

6. Segmental reporting (continued)

Six months ended 30 June 2009	Africa \$'m	Europe \$'m	South Asia \$'m	South America \$'m	Unallocated \$'m	Total \$'m
Sales revenue by origin	284.8	143.0	10.7	-	-	438.5
Segment result	83.1	34.0	2.1	(2.2)	-	117.0
Profit on disposal of subsidiaries						3.9
Disposal of oil and gas assets						0.4
Unallocated corporate expenses						(29.6)
Operating profit						91.7
Loss on hedging instruments						(14.6)
Finance revenue						1.3
Finance costs						(26.9)
Profit before tax						51.5
Income tax expense						(20.2)
Profit after tax						31.3
Total assets	3,590.5	798.5	82.6	151.0	30.7	4,653.3
Total liabilities	(960.2)	(329.9)	(27.8)	(43.0)	(848.0)	(2,208.9)
Other segment information						
Capital expenditure:						
Property, plant and equipment	63.5	47.1	3.5	0.0	0.6	114.7
Intangible fixed assets	436.2	19.8	1.7	4.0	1.1	462.8
Depletion, depreciation and amortisation	(106.9)	(54.3)	(4.5)	0.0	(3.2)	(168.9)
Impairment losses recognized in income	-	(17.2)	-	-	-	(17.2)
Exploration costs written off	(14.2)	(3.5)	(2.3)	(1.0)	0.0	(21.0)

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

6. Segmental reporting (continued)

Year ended 31 December 2009	Africa \$'m	Europe \$'m	South Asia \$'m	South America \$'m	Unallocated \$'m	Total \$'m
Sales revenue by origin	645.4	248.6	21.9	-	-	915.9
Segment result	212.4	(10.7)	8.0	(2.0)	-	207.7
Profit on disposal of subsidiaries						16.0
Profit on disposal of oil and gas assets						4.9
Unallocated corporate expenses						(77.6)
Operating profit						151.0
Loss on hedging instruments						(59.8)
Finance revenue						2.1
Finance costs						(60.8)
Profit before tax						32.5
Income tax expense						(1.9)
Profit after tax						30.6
Total assets	4,162.7	654.1	78.1	185.9	44.5	5,125.3
Total liabilities	(992.4)	(266.0)	(18.1)	(49.2)	(1,368.6)	(2,694.3)
Other segment information						
Capital expenditure:						
Property, plant and equipment	498.6	47.5	5.2	-	9.4	560.7
Intangible fixed assets	640.8	27.3	4.0	10.1	2.5	684.7
Depletion, depreciation and amortisation	(215.8)	(126.8)	(8.1)	-	(8.5)	(359.2)
Impairment losses recognised in income	(12.5)	-	-	-	-	(12.5)
Exploration costs written off	(20.7)	(56.3)	(1.6)	(2.0)	(2.1)	(82.7)

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

7. Cash Flows from Operating Activities

	6 months ended 30.06.10 Unaudited \$'m	6 months ended 30.06.09 Unaudited \$'m	Year ended 31.12.09 Audited \$'m
Profit before taxation	130.5	51.5	32.5
Adjustments for:			
Depletion, depreciation and amortisation	176.8	168.9	359.2
Impairment loss	6.4	17.2	12.5
Exploration costs written off	52.5	21.0	82.7
Profit on disposal of subsidiaries	-	(3.9)	(16.0)
Profit on disposal of oil and gas assets	(0.5)	(0.4)	(4.9)
Decommissioning expenditure	-	-	(2.0)
Share based payment charge	7.0	8.0	5.4
(Gain)/loss on hedging instruments	(11.6)	14.6	59.8
Finance revenue	(12.5)	(1.3)	(2.1)
Finance costs	18.0	26.9	60.8
Operating cash flow before working capital movements	366.6	302.5	587.9
Decrease/(increase) in trade and other receivables	(44.0)	(203.1)	(185.9)
Increase in inventories	(19.0)	(21.1)	(52.7)
Increase in trade payables	13.4	91.4	114.3
Cash generated from operations	317.0	169.7	463.6

8. 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	-	-	(50.0)	-	(50.0)
Currency translation adjustment	-	46.2	-	-	46.2
Vesting of PSP shares	-	-	-	11.0	11.0
Purchase of treasury shares	-	-	-	(2.3)	(2.3)
At 30 June 2009	755.1	(125.4)	(3.1)	(13.9)	612.7
Hedge movement	-	-	6.3	-	6.3
Currency translation adjustment	-	(4.2)	-	-	(4.2)
Vesting of PSP shares	-	-	-	3.1	3.1
Purchase of treasury shares	-	-	-	(3.4)	(3.4)
At 31 December 2009	755.1	(129.6)	3.2	(14.2)	614.5
Hedge movement	-	-	(13.6)	-	(13.6)
Currency translation adjustment	-	(18.7)	-	-	(18.7)
At 30 June 2010	755.1	(148.3)	(10.4)	(14.2)	582.2

9. Taxation

Income tax for the six month period is accrued based on the estimated annual effective rate of 32% (1H2009: 39%).

10. Capital structure

In the six months ended 30 June 2010, the Group issued 2.3 million (1H 2009: 2.7 million) new shares in respect of employee share options and issued 80.4 million (1H 2009: 66.9 million) new shares in respect of an equity placing with institutional investors in January 2010.

As at 30 June 2010 the Group had in issue 887.2 million allotted and fully paid ordinary shares of Stg 10 pence each (1H 2009: 802.5 million).

In May 2010, Tullow increased the commitments of its Reserve Based Lending facility by US\$500 million to US\$2.5 billion and now has total debt facilities of US\$2.75 billion. The Reserve Based Lending facility has a final repayment date of December 2015 and the margin on the facility, depending on the amount drawn, is up to 3.75%. The \$250 million Revolving Credit facility is repayable in full on 31 December 2011 and the margin on the facility is 5.00%.

11. Commercial Reserves and Contingent Resources Summary (Not reviewed by Auditors) working interest basis

	AFRICA		EUROPE		SOUTH ASIA		TOTAL		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial Reserves									
1 Jan 2010	255.6	23.4	1.2	139.0	-	99.0	256.8	261.4	300.4
Revisions	-	-	-	0.7	-	-	-	0.7	0.1
Production	(6.7)	(0.4)	(0.1)	(13.1)	-	(5.9)	(6.8)	(19.4)	(10.0)
30 June 2010	248.9	23.0	1.1	126.6	-	93.1	250.0	242.7	290.5
Contingent Resources									
1 Jan 2010	385.2	1,117.6	-	114.9	-	16.2	385.2	1,248.7	593.3
Revisions	6.1	-	-	-	-	-	6.1	-	6.1
Disposals	-	-	-	(7.1)	-	-	-	(7.1)	(1.2)
30 June 2010	391.3	1,117.6	-	107.8	-	16.2	391.3	1,241.6	598.2
Total									
30 June 2010	640.2	1,140.6	1.1	234.4	-	109.3	641.3	1,484.3	888.7

1. Proven and Probable Commercial Reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.
2. Proven and Probable Contingent Resources are based on both Tullow's estimates and the Group reserves report produced by an independent engineer.
3. In Ghana, the Tweneboa and Owo discoveries have not been reviewed by the independent engineer and consequently the benefit of these exploration and appraisal activities has not been incorporated in the above table.
4. In Uganda, the late 2009 and 2010 discoveries have not been reviewed by the independent engineer and consequently the benefit of these exploration activities has not been incorporated and therefore with respect to Uganda the above table is materially understated. At the year-end there will be a full review of Ugandan resources to incorporate recent discoveries and to reflect the expected equity changes in Uganda.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 232.1 mmboe at 30 June 2010 (31 December 2009: 265.4 mmboe).

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

About Tullow Oil plc

Tullow Oil plc is a leading independent oil and gas, exploration and production group and is quoted on the London and Irish Stock Exchanges (symbol: TLW.L). The Group has interests in over 85 production and exploration licences in 23 countries and focuses on four core areas: Africa, Europe, South Asia and South America. For further information please consult the Group's website www.tulloil.com.

Events on results day

In conjunction with these results Tullow is conducting a London Presentation and a number of events for the financial community.

09.00 BST - UK/European conference call (and simultaneous Video webcast)

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. A replay facility will be available from approximately noon on 25 August until 31 August. The telephone numbers and access codes are:

Live event		Replay facility available from Noon	
UK Participants	020 7806 1966	UK Participants	020 7111 1244
Irish Participants	01 486 0916	Irish Participants	01 486 0902
		Access Code	4191148#

To join the live Video webcast, or play the on-demand version which will be available from noon on 25 August, you will need to have either Real Player or Windows Media Player installed on your computer.

11.00 BST – Press Conference Call

To access the call please dial the appropriate number below shortly before the call and use the access code. The telephone numbers and access code are:

UK Participants	0800 634 5205	International Participants	+44 208 817 9301
UK Local Call	0208 817 9301	USA Toll Free	+1 866 629 2704
Irish Free Call	1 800 943 094	Access code	3376742

15:00 BST - US Conference Call

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call.

Live Event

Domestic Toll Free	+1 888 935 4575
Toll	+1 212 444 0412

For further information contact:

Tullow Oil plc +44 20 8996 1000	Citigate Dewe Rogerson +44 20 7638 9571	Murray Consultants +353 1 498 0300
Ian Springett, Chief Financial Officer	Martin Jackson	Joe Murray
Chris Perry, Head of Investor Relations	George Cazenove	Ed Micheau