Tullow Oil plc

Written Submissions of Tullow Oil plc for the purposes of the Ad Hoc Committee to Investigate the Regularisation of the Oil Sector and Other Matters Incidental Thereto

11 April 2012

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Introduction

Tullow Oil was founded over 25 years ago and listed on Irish Stock Exchange in 1989 and the London Stock Exchange in 1994. The Company's first operations were in Senegal. Since then Tullow has built a global presence with operations in the UK, Asia and South America. However, the heart of Tullow is Africa where we operate in 15 countries and are listed on the Ghana Stock Exchange. Tullow is Africa's leading independent oil company with more exploration licences than any other company. In recent years, Tullow has also increased its production, most notably in Ghana, through the Jubilee Field which came on stream in late 2010.

Tullow has held exploration licences in Uganda since 2004 and is responsible for the major oil discoveries that are now under discussion. Tullow's position has consistently been that the oil discoveries belong to Uganda, and the main beneficiaries of oil production in Uganda, should be the people of Uganda. The agreements made between Tullow and the Ugandan Government are clearly, and rightly, weighted very heavily in favour of the people of Uganda.

The Committee has been asked by the Speaker of the Ugandan Parliament, Hon. Rebecca Kadaga, to investigate a number of matters which relate to the oil industry in Uganda. To assist the Committee in this regard, Tullow has sought to address some of these issues in this written submission by focusing in particular on the following matters:

1. Allegations of bribery involving Tullow officials and Ugandan Government officials;
2. Status of Tullow licences;
3. Exploration activities and costs;
4. Social, political, environmental issues;
5. Revenue and taxation; and
6. Procurement of local service providers.

Understandably, the Committee will want to ask many questions of Tullow in relation to its operations and Tullow welcomes this important opportunity. Tullow will show that the bribery allegations made against it are wholly false and assist the Committee in understanding Tullow's past, current and future work in Uganda. Where Tullow cannot answer the Committee's questions immediately, it will revert to the Committee either in writing or in person as soon as practicable.

<u>Tullow Oil PLC</u>

1. Allegations of Bribery

Over recent months, Tullow Oil plc (**"Tullow"**) has been falsely accused, in the Ugandan Parliament, during the hearings of this Ad Hoc Committee and in the Ugandan press, of transferring money via the Bank of Valletta plc in Malta (**"Bank of Valletta"**) and the Bank of New York Mellon (**"BNY Mellon"**), to accounts associated with certain Ugandan Government Ministers, namely Hon. Amama Mbabazi, Hon. Sam Kutesa and Hon. Hillary Onek (together the **"Ugandan Government Ministers"**).

Tullow has, at no time, made any payments to the Ugandan Government Ministers or any other Ministers within the Ugandan Government or any other Ugandan officials. These allegations are entirely false and have been strenuously, and regularly, denied by Tullow.

Tullow has collated evidence which irrefutably proves that no payments of any sort have been made to the Ugandan Government Ministers by Tullow, and that the documentary evidence produced by Tullow's accusers (which purports to evidence guilt on Tullow's part) has been forged, is absolutely false and without foundation.

The Allegations

Bank of Valletta Allegations

On 10 and 11 October 2011, documents were presented to the Ugandan Parliament by Hon. Gerald Karuhanga which purported to show that Tullow transferred money to the Ugandan Government Ministers and East Africa Development Ltd, via the Bank of Valletta. These documents purported to show Aidan Heavey, Tullow Oil's Chief Executive, authorising Brian Glover of Tullow Uganda Limited, under power of attorney (the **"Forged PoA"**), to make cash payments of up to 500,000 Euro to Hon. Sam Kutesa, a representative of East Africa Development Ltd. Other documents laid before the Ugandan Parliament also purport to show transaction statements evidencing that payments were made through the Bank of Valletta by Tullow (the **"Forged Documents"**).

The above-mentioned documents presented to the Ugandan Parliament are crude forgeries and Tullow is able to prove this.

BNY Mellon Allegations

On 23 November 2011, during a session of the Committee, Hon. Gerald Karuhanga accused Tullow of transferring money via accounts with Bank of New York Mellon to the Ugandan Government Ministers (the **"BNY Mellon Allegations"**). Mr. Karuhanga, so far as Tullow is aware, did not and has not yet, provided any evidence to substantiate his claims.

The allegations made by Mr. Karuhanga are untrue, unfounded and unsubstantiated and are an abuse of Parliamentary privilege.

Tullow's Investigations and Response

Bank of Valletta Allegations

Tullow first became aware of the existence of the Forged PoA and the Forged Documents in September 2010. At that time, we co-operated fully with a Ugandan Police investigation and, to our knowledge, the matter went no further. Tullow was not aware of the contents of the forged documents until they were presented to Parliament in October 2011.

When the documents were presented to Parliament, we considered that because the documents were so crudely forged, no one would take them seriously. In addition, our Chief Executive had not signed such a power of attorney. Furthermore, we believed that no one would think it possible that the chief executive of a leading international company like Tullow would sign such a power of attorney or approve such a blatant act of corruption, knowing that he or she would be committing a serious criminal act under UK, European, US and Ugandan law.

However, it soon became clear that the allegations were being taken seriously. Tullow therefore made rigorous enquiries in both Malta and the UK, in order to establish the facts and clear its name.

Malta

Via Maltese Lawyers, Tullow contacted Inspector Maurice Curmi of the Maltese Police, who certified the validity of his original letter of 21 June 2011 to the Maltese Attorney General, a copy of which was presented to Parliament on 11 October 2011. Inspector Curmi's letter of 21 June 2011 stated that Tullow has no accounts with the Bank of Valletta and that the documents which the Maltese Police had inspected (being the Forged PoA and the Forged Documents) were forgeries.

An original certified copy of Inspector Curmi's letter dated 21 June 2011, sworn in front of an official from the Maltese Attorney General's office and signed by Inspector Curmi on 1 December 2011, is included in the enclosed file at Tab 18. This clearly demonstrates the authenticity of the letter of 21 June 2011 which was presented to Parliament.

United Kingdom

The Metropolitan Police Service Proceeds of Corruption Unit (the **"Metropolitan Police"**) received a letter from Mr. John Ndungutse of the Ugandan Police dated 12 January 2011 enclosing the Forged PoA and Forged Documents. The Forged Documents appear to suggest that monies totalling EUR 16.5 million were paid into an account held by East Africa Development Ltd with EFG Private Bank Limited in London. The Metropolitan Police confirmed to Tullow that it had investigated the allegations in early 2010 and had corresponded with Ugandan officials.

Detective Sergeant George Simpson of the Metropolitan Police conducted a thorough investigation into these documents and concluded, as per an email dated 19 January 2011:

- the two EFG banks operating in the United Kingdom, EFG Private Bank Limited and EFG Eurobank Ergasius, did not have any accounts relevant to the investigation nor did they hold any accounts in the name of East Africa Development Ltd;
- if the alleged payment of EUR 16.5million had been received by either bank, its money laundering processes would have been triggered;
- at no time, were the banks' money laundering processes triggered;
- neither bank has business interests or a client profile in East Africa; and
- the Metropolitan Police doubted the authenticity of the documents, especially the Tullow Power of Attorney letter purported to be signed by Aidan Heavey.

To authenticate the validity of the above, Tullow provided to the Metropolitan Police, signed and sworn affidavits from Aidan Heavey and Dr Brian Glover. Copies of such affidavits are included in the enclosed file at Tabs 13 and 14.

A copy of the letter showing the confirmation of the Metropolitan Police's investigations are included in the enclosed file at Tab 15.

We understand that the Metropolitan Police has closed its file on this matter and presented its findings to the Ugandan authorities that it is satisfied that the allegations are false.

Tullow also reported itself (and the false allegations) to the UK's Serious Fraud Office who, having made enquiries, decided to take no further action. Details of this correspondence can be found at Tab 9.

BNY Mellon Allegations

In response to the BNY Mellon Allegations (in respect of which no documentation or proof has as yet been provided by Mr. Karuhanga), on 6 December 2011 BNY Mellon provided the following statement:

"The Bank of New York Mellon offers an investment service to banks and other institutional investors in which we simply act as an intermediary between such institutions. The Bank of New York Mellon does not have a banking relationship with Tullow Oil."

Similarly, Tullow also issued a public statement:

"These are yet more unfounded allegations from the same group of MPs whose previous claims have been comprehensively discredited. For the record, Tullow does not have any accounts with the Bank of New York Mellon and has not made any payments to these individuals through this bank or any other banks."

Copies of Tullow's correspondence with BNY Mellon are included in the enclosed file at Tabs 16, 17 and 19.

Conclusion

The Maltese and Metropolitan Police made full investigations into the allegations concerning the Bank of Valetta and considered them to be baseless. The alleged transactions did not take place and the documentation produced to support these claims has been proved to be false.

BNY Mellon not only confirmed that it does not have a banking relationship with Tullow but also that it does not offer services that would allow it to make the type of payments Mr. Karuhanga has suggested took place. Therefore, this second set of allegations is also totally false.

In the 25 years of being active in Africa, Tullow has never at any point, been accused of such actions before and is well known across the continent for its strict adherence to a zero tolerance policy on bribery and corruption. Any employee, from the CEO down, would be dismissed instantly if they were found to be guilty of corrupt behaviour.

The Tullow Code of Business Conduct, to which all Tullow employees strictly adhere, can also be found at Tab 20.

Wikileaks articles

On two occasions, Tullow has been embarrassed by leaks of cables from the US Embassy in Kampala to the US State Department.

In the first leaked cable, issued in December 2010 it was alleged that Tim O'Hanlon, Tullow's Vice President for African Business, had said that two ministers had been involved in corruption and taken payments from a competitor of Tullow. As soon as this cable became public, Mr. O'Hanlon issued a statement to the press:

> 'As part of a general discussion about doing business in Africa with the US ambassador to Uganda, I made reference to a number of rumours then in circulation in the local media in Kampala to illustrate the issues the oil and gas industry faced. At no time did I give any credence to these rumours and would therefore dispute the record of our conversation as detailed by Wikileaks.
>
> In fact, President Museveni's Ugandan Government rightly insisted on a transparent process — which led directly to the joint venture agreement between CNOOC, Total and Tullow.'

Mr. O'Hanlon also wrote to His Excellency the President of Uganda to repeat the statement above and to apologise for the damage caused to Uganda and the reputation of the ministers involved. Tullow has little to add to the statements made at the time and remains unable to explain why the US Embassy chose to misrepresent Mr. O'Hanlon's remarks. A copy of Mr O'Hanlon's letter can be found at Appendix 3.

The second leaked cable, issued in September 2011, alleged that Andy Demetriou, a Tullow Uganda employee, had stated that President Museveni had been in receipt of payments from a competitor oil company in return for certain oil exploration rights. Both Tullow and Mr. Demetriou issued statements refuting the allegations made in the Wikileaks cable and pointed out various, important inaccuracies in the cable. This included the assertion by the embassy official that Mr. Demetriou had passed over a secret Uganda Intelligence Service document. Far from being secret, this report had been published in full in the Ugandan press a few days previously.

Again, US diplomats, for unknown reasons, had chosen to exaggerate Tullow statements made in private meetings. Mr. Demetriou wrote to the President privately expressing his dismay at this episode and to apologise for any damage caused. Mr. Demetriou was also received by the President in late 2011 where Mr. Demetriou repeated his apology in person.

2. Status of Tullow Licences

Tullow holds a 33.33 per cent. interest in 5 Production Sharing Agreements (PSAs) across the Lake Albert Basin. CNOOC and Total both hold 33.33 per cent. each in these PSAs.

The 5 PSAs are as follows:

(i) 'Old' EA1 PSA which covers discoveries already made during the old EA1 licence period (effective date 1 July 2004)

(ii) 'Old' EA2 PSA which covers discoveries already made in EA2. The remainder of EA2 is now unlicensed (effective date 1 November 2001, renewed 1 November 2005 and 1 November 2007)

(iii) 'Old' EA3A PSA which applies to the New Kingfisher production licence (effective date 8 September 2004)

(iv) 'New' EA1 PSA (and associated exploration licence) which covers the areas where discoveries have not been made in the EA-1 licence area (effective date 3 February 2012)

(v) 'New' EA3A PSA (and associated exploration licence) which covers Kanywataba prospect which sits within the old EA-3A licence area (effective date 3 February 2012)

The remainder of what was EA3A now is now unlicensed except for Kingfisher and Kanywataba, as above.

3. Exploration Activities and Costs

Since 2006, Tullow has spent just under $1.2bn in operating costs in Uganda and has found oil in 43 out of 46 wells drilled. This is an exceptional achievement by any standard. Furthermore, Tullow has brought two internationally renowned companies, Total and CNOOC, to develop this huge resource and take Uganda to its first major oil production.

In 2012, the Partners will look to develop options for the development which will then be presented to the Government of Uganda. Separately, important exploration and appraisal work will continue. The proposed work programme for 2012 is set out below.

Note. FDP = Field Development Plan.

Key Exploration/Early Stage Appraisal Activities in Uganda in 2012

(a) Drill the Kanywataba prospect in EA3A (CNOOC);

(b) Drill out the West of the Nile play in EA1 – up to 8 wells (Omuka, Alwala, Raa, Ondyek, Riwu and Okuma, Til, and Lyec) (Total);

(c) Appraise Mpyo area (2 wells 2012) and handover to development team for FDP planning (Total);

(d) Appraise the Ngege area (4-5 wells) and handover to development team for FDP planning (Tullow);

(e) Full Tensor Gradiometry (FTG) acquisition west of the Nile (Total);

(f) Deliver EA1 3D seismic (Total); and

(g) Submit appraisal plans for 2011 discoveries Gunya & Jobi-East (Total).

Key Late Stage Appraisal Activities

(a) Revise the FDP plan for Kingfisher (3D repro) (CNOOC);

(b) Drill and test 3 additional wells on Jobi-Rii, drill 5 additional appraisal wells on Ngiri, and conduct 4 well tests (Total);

(c) Seek extensions to the appraisal period over Jobi-Rii, Ngiri and Mpyo, or submit FDPs (Total) (extensions to the period within which to apply for production licences have now been granted until December 2012) ;

(d) Drill the NSoga-H & I wells, interference test with Nsoga-1 (Tullow);

(e) Drill Waraga well and deliver reworked FDPs (Tullow); and

(f) Deliver reworked FDPs for Nzizi & Mputa (Tullow).

3 (a) List of Tullow Exploration and Appraisal Activity and Drilling Results in Uganda

Exploration Area	Name	Announcement date	Net Hydrocarbon-bearing Sands encountered
1	Warthog-1 (Ngiri)	21 Oct 2008	46m
1	Buffalo-1 (Jobi)	16 Dec 2008	43m
1	Giraffe-1 (Rii)	13 Jan 2009	38m
1	Ngiri-2	28 Jul 2010	40m
1	Jobi-East-1	06 Jun 2011	20m
1	Mpyo-3	06 Jun 2011	21m
1	Jobi-2	05 Jul 2011	45m
1	Gunya-A	05 Jul 2011	17.5m
1	Jobi-East-5	24 Aug 2011	NA
1	Jobi-East-2	09 Nov 2011	22.5m
2	Mputa-1	17 Jan 2006	NA
2	Waraga-1	13 Mar 2006	NA
2	Mputa-2	23 May 2006	NA
2	Nzizi-1	16 Nov 2006	NA
2	Nzizi-2	11 Jul 2007	NA
2	Mputa-3	23 Aug 2007	19.5m
2	Mputa-4	02 Oct 2007	15.4m
2	Ngassa-1	25 Feb 2008	6m
2	Taitai-1	1 May 2008	13m
2	Ngege-1	24 Jun 2008	14m
2	Karuka-1	1 Jul 2008	NA
2	Kasamene-1	06 Aug 2008	10m
2	Mputa-5	11 Mar 2009	12m
2	Karuka-2	25 Mar 2009	Limited thin-bedded oil bearing sands
2	Nsgoa-1	06 May 2009	3m
2	Awaka	27 May 2009	91m water bearing sands

Exploration Area	Name	Announcement date	Net Hydrocarbon-bearing Sands encountered
2	Kigogole-3	16 Jun 2009	20m
2	Wahrindi-1	08 Jun 2009	7m
2	Ngara-1	04 Aug 2009	8m
2	Ngassa-2	26 Aug 2009	25m
2	Kasamene-2	22 Jan 2010	47m
2	Kasamene-3A	22 Jan 2010	15m
2	Kasamene-3	13 Apr 2010	10m
2	Nzizi-3	19 May 2010	25m
2	Nsoga-5	15 Jul 2010	10m
2	Ngiri-2	28 Jul 2010	40m
2	Kigogole-2	25 Aug 2010	16m
2	Kigogole-5	25 Aug 2010	14m
2	Mpyo-1	25 Aug 2010	32m
2	Kigogole-4	10 Nov 2010	15m
2	Nsoga-2	27 Jan 2011	12.5m
2	Kigogole-6	09 Mar 2011	3m
2	Ngege-2	15 May 2011	1m
3A	Kingfisher-1	10 Oct 2006	37m
3A	Kingfisher-2	30 Jun 2008	37m
3A	Kingfisher-3	11 Dec 2008	40m

3 (b) Cost Recovery

We have sought to provide a brief summary below in respect of how Tullow, as a licensee, recovers its costs incurred, which relate to its investment into Uganda.

Introduction

Cost recovery is based on the need to incentivise companies to undertake expensive and risky exploration in new oil and gas provinces. The risk and the cost of exploration is wholly borne by the licensee who agrees to invest front end capital in the hope that, should commercial volumes of hydrocarbons be discovered, it will later recover its investment through a share of production.

There is no guarantee whatsoever that commercial volumes of hydrocarbons will be discovered. Therefore, if no commercial volumes of hydrocarbons are discovered, the licensee bears all invested costs and the Ugandan Government bears none of these costs or losses.

The licensee is required to strictly adhere to the terms and conditions of the Production Sharing Agreements (the **"PSAs"**) and Ugandan legislative requirements to achieve full cost recovery in respect of its investment in Uganda.

The PSAs provide the contractual mechanism for cost recovery and profit sharing through allocation of production between the Ugandan Government and the licensee. Cost recovery is achieved through the allocation of cost oil (see below) to the licensee. This is essentially the contractual mechanism under which the licensee recovers the costs of exploration, appraisal, development, production and operating expenditure. Such costs are recovered at a future date out of gross oil/gas production (60 per cent. of gross oil production and 70 per cent. for gas after deduction of the Royalty paid to the Ugandan Government as specified in the PSAs). In order to protect the Government, there are limits placed on the recoverability of these costs. It is not unusual for costs to be recovered by licensees many years after such costs are incurred. It should also be noted that this arrangement is entirely in keeping with international practices.

(a) Ugandan Government Take from Production

The Ugandan Government's share of oil/gas production consists of the following elements:

(a) taxes paid by the licensees;

(b) royalty payments: the first hydrocarbons recovered are allocated in the form of royalty payments to the Ugandan Government. This percentage varies depending on the rates of production; and

(c) profit oil: after payment of royalties to the Ugandan Government, a proportion of recovered hydrocarbons is allocated to cost recovery (**"Cost Oil"**) and a proportion is allocated for profit sharing (**"Profit Oil"**). Profit Oil is allocated to the Ugandan Government and the licensee in differing proportions depending on the rates of production, however, the proportions are heavily weighted in favour of the Ugandan Government. The Ugandan Government has a right to a further interest in profit oil by exercising a right to become a 15 per cent Licensee (see also section below on licensee's share of profit oil).[1]

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[1] **N.B.:** When the Government exercises its 15 per cent right it also becomes a licensee, the Ugandan Government is entitled to a proportion of **Profit Oil** both

(i) in its capacity as Ugandan Government, and

(ii) as a holder of a 15 per cent interest in the licence. As all of the Ugandan Government’s costs as a 15 per cent. interest holder are paid for by the other licensees, the Ugandan Government has no costs to recover out of Cost Oil.

(b) Licensee Take from Production

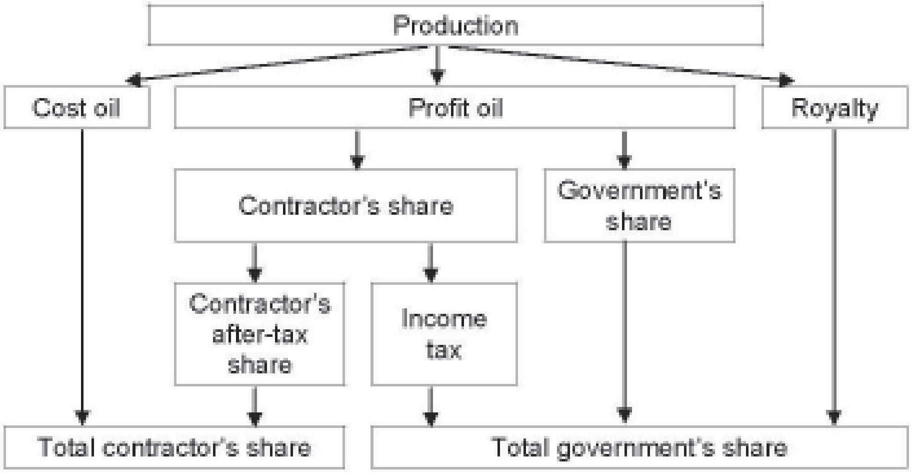
The licensee's share of hydrocarbon production can be split into:

- Cost Oil: This is the share of production allocated to recover costs which have been incurred by a licensee during exploration development, production and operations. The PSA will determine which costs can be recovered (see Recoverable Cost and Cost Recoverability Conditions below); and

- Profit Oil: This is the licensee's share of production available for profit sharing, the balance of available crude after deductions of royalties and Cost Oil, which is allocated between the Ugandan Government and the licensee. The licensee pays tax on this allocation.

- The position is explained further in the diagram below:

Figure 1 Production Sharing Revenue Flow



RECOVERABLE COST AND COST RECOVERABILITY CONDITIONS

It can take many years from the start of a licensee's investment, for its costs to be returned to it through Cost Oil. However, the Government receives royalty and its share of the profit oil from the very start of production.

As mentioned above, there are many factors which impact on the ability of the licensee to recover its costs. These also influence the period over which the cost recovery will occur. Such factors include:

- ring fencing (meaning licensees can only cost recover for costs properly incurred in a specified licence area, against hydrocarbons produced from the same specified licence area);

- allocation (cost and profit oil sharing between licensee and the Ugandan Government), valuation (e.g., oil price instability) and measurement and levels of production; and

- (non) recoverability of certain costs as specified in the PSAs / laws of Uganda.

The PSAs contain strict requirements in relation to which costs incurred by licensees are capable of being recovered and which costs incurred by the licensee cannot be cost recovered , and are borne solely by the licensee.

In general, costs incurred under or in connection with the PSAs are recoverable and include all petroleum operations expenditures as defined under the PSAs.

In addition, recoverable costs are generally approved and contained within the Annual Work Programs and Budgets (the **"AWP&B"**) signed off by the Ugandan Government. The AWP&B is submitted to the Advisory Committee (the **"ACM"**) (which is chaired by the Ugandan Government) by the licensee annually.

The Ugandan Government must approve matters referred to the ACM for approval including the AWP&B and any proposed amendments to the AWP&B. In addition, the licensee is also required to estimate for each coming year, by quarters, the projected incurred costs. These estimates must be consistent with the AWP&B approved by the Ugandan Government.

Under the PSAs, the licensee is prohibited from recovering certain costs that are deemed non-recoverable, including:

- costs incurred before certain dates;
- petroleum marketing or transportation tariff charges incurred beyond specified points;
- income tax imposed in accordance with the laws of Uganda;
- royalty payments;
- legal and other costs of arbitration and independent experts in respect of any dispute referred to determination under the PSAs;
- interest charges and other financing charges;
- fines and penalties imposed by the Ugandan Courts;
- costs incurred as a result of wilful misconduct or gross negligence of licensee; and
- corporate costs of the licensee unrelated to petroleum operations.

4. Social, Political and Environmental Issues

Tullow is committed to delivering a world class oil development in Uganda in a manner which contributes to the long term viability and sustainable economic development of Uganda. We believe that managing our social and environment impact is not just an important responsibility, but it is good business. We also recognise the need to develop local content to support a competitive dynamic market and an efficient business. Tullow believes that the long-term impact of the oil and gas industry will be seen through infrastructure, education, skills and jobs that will create long-term sustainable economic growth.

Environment

Tullow is acutely aware of the environmental sensitivity of the area in which it operates and it works very closely with the authorities (NEMA, UWA and PEPD) to ensure that its operations within the Lake Albert Basin are managed responsibly. Furthermore, Tullow closely monitors the activities of contractors operating on its behalf.

Tullow's approach to environmental management extends beyond simply compliance with local laws. The Company's internal policy, the Tullow Oil Environmental Standard ("**TOES**"), matches international standards and will be applied through the development process.

Tullow undertakes a rigorous impact assessment process prior to undertaking operational activities in the Lake Albert Basin – this process also accounts for the management of environmental impacts, which are agreed with NEMA and certified through Environmental Impact Assessments ("**EIAs**").

Within national park designated areas, Tullow works closely with UWA and park operators to ensure its exploration activities do not adversely impact tourism. Tullow is committed to working with stakeholders to ensure that activities are undertaken in a sustainable manner. Most importantly, Tullow is committed to returning drilling sites to the state in which they were found. Please see Appendix 2 for a series of photographs showing a well site before, during and after drilling of a well.

Aside from the management of environmental impacts directly associated with operations, Tullow also manages and has supported a number of broader conservation programmes, including the planting over 160,000 trees and the greening of Hoima town.

Creating Shared Prosperity

Tullow's attitude towards communities and countries in which it works is defined by our approach to Creating Shared Prosperity.

We create long-term value by pursuing a consistent strategy that seeks to deliver a balance between exploration, appraisal and development investment, with revenue from production and other sources of funding including the sale of shares. To do this successfully and sustainably, we must operate responsibly across the business and create a strong external operating environment to deliver successfully our business plans and continue our growth strategy. To do this, we must contribute to social and economic development in countries where we operate. In Tullow, this is called Creating Shared Prosperity.

Our Creating Shared Prosperity approach has 8 sections, as follows:

(i) Local Content: creating real opportunities for local people and local enterprise development;

(ii) Social Enterprise: working with and supporting our local communities;

(iii) Financial Performance: delivering returns for shareholders and providers of capital;

(iv) Governance: managing our business ethically and with integrity;

(v) Stakeholder Engagement: engaging with and responding to all our stakeholders;

(vi) EHS: keeping our people safe and minimising our environmental footprint;

(vii) People: being a rewarding, challenging and great place to work; and

(viii) Sustainable Supply Chain: building long-term sustainable supplier relationships.

Being a responsible operator is not just about building schools or hospitals. Whilst Tullow is involved with local infrastructure projects, the Creating Shared Prosperity initiative is aimed at driving long-term economic development that will sustain communities long after oil production has ceased. This is why, within our Ugandan projects, we emphasise:

(i) local content;

(ii) supply chain; and

(iii) social enterprise.

All the principles of Creating Shared Prosperity are equally important but it is these three that we believe will create a lasting impact.

In terms of the impact of Creating Shared Prosperity in Uganda, figures (from 2010) below give an indication of Tullow's work:

(i) \$180m spent to date with 550 local suppliers in Uganda, totalling over 2,700 contracts;

(ii) 320 people attended our logistics suppliers forum, representing 103 organisations;

(iii) 100+ people, including many MPs, have attended introductory courses to the oil and gas industry;

(iv) 88% of Tullow's local workforce (not including expatriate contractors) are Ugandan;

(v) 8 new Community Liaison Officers;

(vi) 20 Tullow Group Scholarships made available to Ugandan nationals; and

(vii) 7 Ugandan technical graduates and 4 production technicians sponsored through their studies by Tullow.

Social Impact Management

Tullow engages actively with communities within its areas of operation and seeks broad-based support for its activities. Tullow is committed to mitigating any negative impacts of its operations and ensuring that communities benefit from Tullow's presence. Key to this is communication and management of expectations. Tullow works closely with local authorities around the Lake and has a team of eight community liaison officers who work within Lake Albert communities managing impacts and engaging on Tullow's operational activities.

As Tullow moves toward development in Uganda, it is concentrating on understanding the scale and nature of the likely impact of its operations. Tullow and its partners are working to ensure that throughout the development and construction phases, the impact of its operations are managed responsibly.

Tullow pays compensation to individuals whose property is affected by the Company's operations. Rates of compensation are set by the local District Land Board and all payments have to be approved by the relevant authorities. Recently Tullow completed a significant seismic compensation programme which included over 30,000 individual valuations.

With regard to land purchases, Tullow does not currently purchase (and therefore does not own) any land around Lake Albert. All land is leased according to rates set by the Ugandan Government.

Local Content and Education

Tullow seeks to source as much as possible from local Ugandan suppliers in accordance with its Local Content strategy. Sourcing high quality local goods and services not only has economic advantages for the business, but it encourages domestic growth in the business sector in Uganda.

Tullow's approach to local content development focuses on building a local oil infrastructure and supply base to help control and reduce costs. It also benefits local businesses and communities through:

(i) local business development (goods and services);

(ii) local employment (re-skilling, job development, redeployment); and

(iii) sustainable local economic development.

As the oil industry is new to Uganda, many small and medium sized businesses lack the skills, resources and finance to respond to the opportunities presented by the burgeoning oil industry. Therefore, to enable existing businesses and encourage entrepreneurship to meet this commercial challenge Tullow is expanding its current Supplier Development Programme to assist selected business sectors to develop and secure oil and gas related supply contracts. This will include the establishment of a dedicated enterprise centre in the Basin which will provide business development support and shared services to SMEs.

Furthermore, Tullow is embarking on significant programmes associated with the development of the agri-supply chain and technical training initiatives. Tullow is working closely with the Ministry of Education and Sports to enable local colleges and other institutions to offer technical training to enable the local workforce to participate in the Lake Albert construction phase.

Local content development remains a central part of Tullow's continued contribution to Uganda. For example, in January 2011, Tullow hosted its first open day for suppliers in Kampala. Over 320 people attended representing 13 international and local organisations and 90 logistics companies. Once Uganda moves towards the development phase in Lake Albert, Tullow expects its local content agenda to expand considerably.

Tullow Group Scholarship Scheme

- The Tullow Group Scholarship Scheme was launched on 25 January 2012. The scheme will fund postgraduate degrees and offer technical training and vocational studies. These scholarships aim to support local people's participation in the oil and gas industry, and in other sectors that promote economic diversification. The scheme will address both existing industry skills gaps and national capacity development requirements and is aligned with Tullow's aim of supporting long-term socio-economic growth in countries where it operates.

- It is run through a partnership between Tullow and the British Council, an internationally recognised service provider in scholarship management and partnership development in higher education. The choice of a reputable third party to administer the scholarships is to ensure independence and fairness, and the British Council has a track record of effective management of similar schemes.

Tullow Oil is offering 20 scholarship opportunities to Ugandan nationals. The scheme, which forms a key part of Tullow's overall approach to education and capacity building, will support postgraduate degree, technical training and vocational studies. In addition, six of the 20 scholarships have been earmarked for applicants from the area where Tullow is operator in order to encourage local participation.

Employment

Ugandan Employment Guidelines

Tullow is subject to the following guidelines below in its engagement of employees for the purposes of oil and gas operations in Uganda.

As a minimum Tullow is required to submit a personnel plan before receiving approvals for budgets and work permits required for expatriate employees. Tullow must make the following disclosures:

(i) the number of employees required to conduct the activities under budget consideration;

(ii) the type and nature of employees;

(iii) the costs associated with the employment of the individual, including wages;

(iv) annual plans & budget for employee training; and

(v) annual plans for phasing out of expatriate personnel and replacing them with Ugandan nationals (localisation of skills).

Categories of Employees

Outlined below are the broad terms and conditions under which Tullow employs individuals and how they are deployed in the industry.

Local Terms

This is applicable to employees that permanently reside in Uganda. All economic considerations for determining their remuneration and benefits are in line with the Ugandan labour market. All Ugandan nationals employed with Tullow are currently employed on local terms.

Expatriate Terms

This is applicable to employees that do not permanently reside in Uganda. The economic considerations for determining their remuneration and benefits deliberately consider their respective home country labour and remuneration practices. The majority of Tullow employees who are non-Ugandan nationals are employed on expatriate terms.

Third Party Contractor Employees

These are employees engaged through 3rd party service providers who own all their employment obligations. Such employees may be engaged on Local Terms or Expatriate terms:

(i) On local terms, these employees are typically lower tier/non skilled support staff;

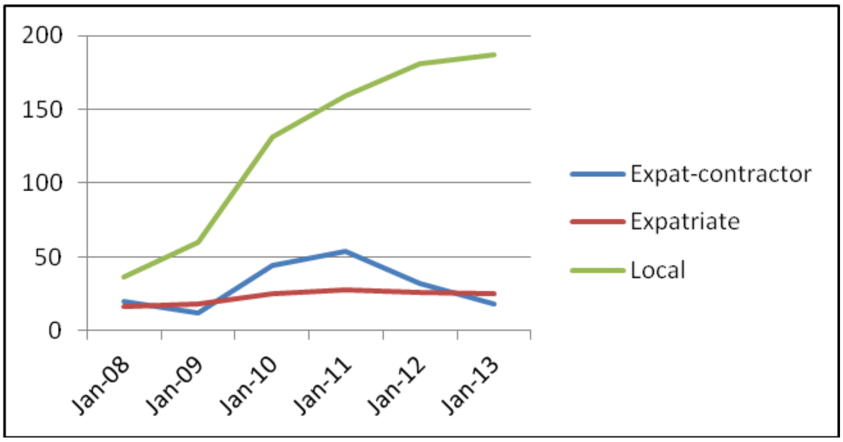
(ii) On expatriate terms, these employees are mainly industry experienced experts who may be required for short term periods to support operational requirements or are occupying positions that the company may wish to localise (replace with Ugandan nationals) in the near future.

Evolution of Staff Demographics Since 2008

The oil and gas industry in Uganda is still at pre-development stage and therefore skill requirements shall continue to evolve as the industry transitions to Development Construction and eventually to Commercial Production.

Over the last 4 years Tullow has deliberately employed various categories of employees under a strategy that seeks to obtain balance between the urgent requirements for industry experienced skills to unlock the industry and the need to develop skills of Ugandan nationals. This will enable them to participate in the industry in the long term in keeping with national oil and gas policy.

The evolution of the staff demographics is demonstrated in the diagram below;



Our current employment break-down is as follows:

Total number of permanent staff	**188**
Locals	165 (88%)
Expat staff	23 (12%)
Expat Contractors	35
Total number of staff (including contractors)	**223**

Skills Development Strategy

Tullow's talent strategy has been developed to ensure a sustainable pipeline of skills and expertise to meet near term operational requirements as well as providing opportunity to train and develop local capacity to fill long term skills requirements.

Nationalisation

We have made considerable progress on implementing our nationalisation plan. We have successfully nationalised some of the positions where we felt the level of skill and experience required could be obtained within the company or by recruiting Ugandans from the local market or in the Diaspora. It is Tullow's clear vision that Tullow Uganda be staffed entirely by Ugandans in the future.

Technical Graduate Training Program

Tullow started a Technical Graduate Training programme in 2008 focusing on training Uganda Hydrocarbon Engineers in Well Engineering, Geology and Geophysics. The pioneer cohort has recently been promoted to full Engineers in their respective positions. Currently this programme has a total of 10 trainee Engineers based in London alongside our Group Technical Teams with occasional work visits to field operations in Uganda.

Scholarships/Further Study Sponsorship Program

In order to address the challenge of limited Oil and Gas technical skills in Uganda we launched a scholarship program to sponsor Ugandans to study geosciences in European Universities. We currently have 7 people on this program and in March 2012 we launched another Group Scholarship scheme that will offer over 20 scholarships annually in various disciplines.

Production Supervisor & Technician Training Program

In preparation for the hydrocarbon production phase of operations, we have enrolled a total of 10 nationals on six months Hydrocarbon Production Supervisor & Technician Training Secondments at a technical institute at Middlesbrough in the UK.

International Secondment (Short Term International Assignments)

During 2010 we also initiated an International Secondment Program for Tullow staff in mid-level and feeder positions. This program is intended to give international exposure to some of our high potential employees as we prepare them for promotion to more senior roles. Over the coming years, the program will see Ugandans temporarily transfer to Tullow operations elsewhere as well as staff from other operations transferring to Uganda for relatively short 3-12 month assignments.

Tullow firmly believes that we will maintain our competitive position in the oil and gas industry by maximising the use of local talent and phasing-in Ugandan citizens to all key roles in our business as swiftly as possible.

Through the varied training and personal development initiatives outlined above, we are fulfilling our commitment not only to our shareholders but to the people of Uganda in developing a truly Ugandan business.

The evolutionary nature of the petroleum life-cycle poses particular challenges, but Tullow's long term investment in our employees will allow us to make the best use of the high potential of our Uganda staff at the earliest opportunity.

5. Revenue and Taxation

Revenue and expenditure by Tullow in Uganda[2]

Revenue

Revenue from operations: nil

Revenue from asset sales: $2,9bn

Major expenditure

Tullow's total operating expenditure in Uganda is summarised below:

Licence 1 $202,849,535

Licence 2 $739,009,295

Licence 3A $244,419,083

Total operating expenditure: $1,186,277,913

Note: this figure excludes Tullow costs in respect of the Heritage transaction, the farm down to CNOOC and Total and non-operated expenditure incurred by Tullow from the period that EAs 1 and 3A were operated by Heritage

Cost of Ugandan assets bought by Tullow:

Acquisition of Energy Africa: c. $4,000,000 allocated for Uganda (2004)

Acquisition of Hardman: c. $410,000,000 allocated for Uganda (2006)

Acquisition of Heritage interests: $1,450,000,000 (2010)

Total spent on acquiring assets: $1,864,000,000

Government taxes and payments

Signature bonuses paid: $500,000

Training fees paid: $1,284,523

Surface fees paid: $471,134

Taxes paid: (VAT, Withholding tax, PAYE, Stamp Duty, Customs Duties): $88,366, 303

[2] Please see Appendix 5 for a full of list of payments by Tullow to the Ugandan Government

Agency fees (on Heritage acquisition) paid in 2011: $313,447,500

Stamp Duty on farm-down: $14,500,000

Payment to URA re: CGT in February 2012: $141,824,438

Total paid to Government: $560,393,897

Taxation disputes

In February 2012, Tullow sold 66.67 per cent. of its interests in the Lake Albert Basin to CNOOC and Total for a consideration of $2.9bn. Prior to the deal completing, Tullow had been assessed for $472m of Capital Gains Tax by the Ugandan Revenue Authority (**"URA"**). Tullow disputes that this level of tax is owed and, in accordance with Ugandan tax laws, has paid 30 per cent. of the assessment ($140m) to the URA and is appealing the assessment. The appeal will be heard by a tax tribunal in Kampala later in 2012.

Tullow does not dispute that, under the terms of the licences, Capital Gains Tax is owed. However, Tullow does dispute the level of tax owed and the quantum suggested by the URA. Separately, Tullow is suing Heritage Oil & Gas in London for $313m. This reflects a payment (the "agency payment") made by Tullow in March 2011 when the URA designated Tullow as agent for the deal between Heritage and Tullow. Under the terms of agreements that Tullow has entered into with Heritage, Tullow is allowed to re-coup such payments from Heritage. Heritage does not agree with Tullow's position and the case will be heard in the High Court in London, probably in early 2013. For the avoidance of doubt, Tullow is not involved with Heritage's dispute, in London and Kampala, with the Ugandan Government.

6. Procurement of Local Service Providers

National Content Strategy

Tullow's procurement of suppliers adheres to the Company's National Content Strategy which has the clear goal of achieving substantial national content in Uganda's Oil and Gas industry. This strategy looks to add sustainable value to Uganda's economy through the training, employment and development of Ugandans; the contracting of Ugandan companies to deliver Ugandan goods and services and encouraging non-Ugandan companies to use Ugandan goods and services. The success of this strategy can be seen in the following figures:

(i) 446 out of 527 of suppliers on our database are Ugandan companies;

(ii) we currently have 1,024 separate contracts with Ugandan suppliers; and

(iii) in 2011, Tullow spent $73.1m with Ugandan companies.

Other achievements in 2011 include the establishment of a national content department, refining of our internal database following supplier workshops and placements and training for Ugandan graduates.

Looking ahead, our 2012 programme has the following objectives and activities:

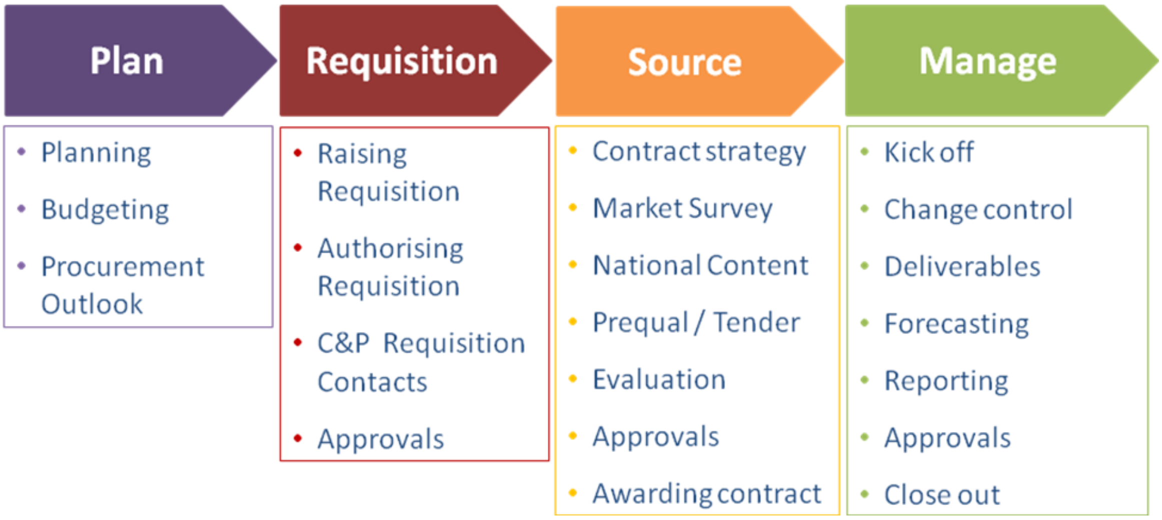
Objectives	**Activities**
Competitive suppliers	Identify key service providers in sectors Assess capacity of suppliers in key sectors Undertake gap filling training for sectors Identify and disseminate information on opportunities Undertake feasibility studies (4) of potential business opportunities Promote JVs between Ugandan and international companies Establish an independent supplier database sectors
Effective response to basic technical skills related employment opportunities	Assess capacity of basic skills workforce Develop standards and curricula Develop and implement training programme Promote partnerships between Ugandan and international training colleges capacity
Stronger Partnerships	Identify topics(e.g. fabrication yard, regionalization) studies Disseminate study findings topics(e.g. fabrication yard, regionalization) studies Undertake quarterly national and community level seminars/fairs
Stronger Capacity for managing	Print and disseminate Tullow national content strategy, commitment, systems

national content	and procedures Train internal and external stakeholders on national content strategy, commitment Establish monitoring systems and report performance systems and procedures

Procurement process

Tullow's procurement processes are conducted transparently and contracts, of whatever size, require the approval of several managers before they are approved. The diagram below gives an overview of the process that Tullow employees are obliged to follow both in Uganda and elsewhere. It is essential to our processes that we secure best value and that we comply both with PSA requirements and corporate governance and business ethics.

Finally, all procurement is conducted in line with our national content strategy. Critically, contracts are evaluated both technically (by the department wishing to award the contract) and commercially (by the Contracts Adviser) and independently of each other with the Department and the Contracts Adviser making separate recommendations whether to award the contract.



Tullow places contracts into 2 categories: 1 – over $50,000; and 2 – up to $50,000. All Category 1 contracts (and some Category 2 contracts) have to be reviewed by the Contracts Review Board which consists of the following: Country Manager; Supply Chain; Operations; Environment; Health & Safety (EHS); Finance; Legal and National Content Managers; and the Contracts and Procurement Manager who acts as secretary to the Board and does not have a vote.

Appendix 1

Index of Documents for Ad Hoc Committee in relation to the False Corruption Allegations against Tullow

Tab	Date	Description	From	To
1	04 April 2010 – 10 August 2010	Documents provided to Ugandan Parliament on 10 and 11 October 2011	Various	Various
2	19 January 2011	Email from the Metropolitan Police to Mr Ndungutse	Detective Sergeant George Simpson of the Metropolitan Police	Mr Ndungutse
3	21 June 2011	Letter from the Maltese Police to the Attorney General of Malta	Inspector Maurice Curmi of the Malta Police	The Attorney General of Malta
4	11 October 2011	Letter from Tullow Oil to the Uganda Speaker of Parliament	Aidan Heavey of Tullow Oil	Rt. Hon. Rebecca Kadaga, Speaker Parliament of Uganda
5	11 October 2011	Letter from Tullow Oil to the Serious Fraud Office	Stephen Rees of Tullow Oil	Richard Alderman of the Serious Fraud Office
6	21 October 2011	Letter from Tullow Oil to the Serious Fraud Office	Stephen Rees of Tullow Oil	Richard Alderman of the Serious Fraud Office
7	8 November 2011	Email from Tullow Oil to the Metropolitan Police	George Cazenove of Tullow Oil	Alex Stephens of the Metropolitan Police
8	9 November 2011	Email from the Metropolitan Police to Tullow Oil	John McDonald of the Metropolitan Police	Jerome Basdeo of Tullow Oil
9	11 November 2011	Email from the Serious Fraud Office to Tullow Oil	Barry Collins of the Serious Fraud Office	Stephen Rees of Tullow Oil
10	14 November 2011	Letter from the Metropolitan Police to Tullow Oil	John McDonald of the Metropolitan Police	Jerome Basdeo of Tullow Oil
11	14 November 2011	Email from the Metropolitan Police to Tullow Oil	John McDonald of the Metropolitan Police	Jerome Basdeo of Tullow Oil
12	15 November 2011	Letter from Tullow Oil to the Metropolitan Police	Graham Martin of Tullow Oil	John McDonald of the Metropolitan Police
13	15 November 2011	Affidavit of Aidan Joseph Heavey		
14	15 November 2011	Affidavit of Dr Brian William Glover		
15	24 November 2011	Letter from the Metropolitan Police to Tullow Oil	John McDonald of the Metropolitan Police	Graham Martin of Tullow Oil
16	01 December 2011	Letter from Tullow Oil to BNY Mellon	George Cazenove of Tullow Oil	Ivan Royle of BNY Mellon
17	01 December 2011	Email from BNY Mellon to Tullow Oil	Ivan Royle of BNY Mellon	George Cazenove of Tullow Oil

Tab	Date	Description	From	To
18	02 December 2011	Affidavit of Nicolai Vella Falzon including a certified copy of the letter dated 21 June 2011 from Inspector Maurice Curmi to the Attorney General of Malta		
19	06 December 2011	Letter from BNY Mellon to Tullow Oil	Ivan Royle of BNY Mellon	George Cazenove of Tullow Oil
20		Tullow Oil Employee Code of Conduct		

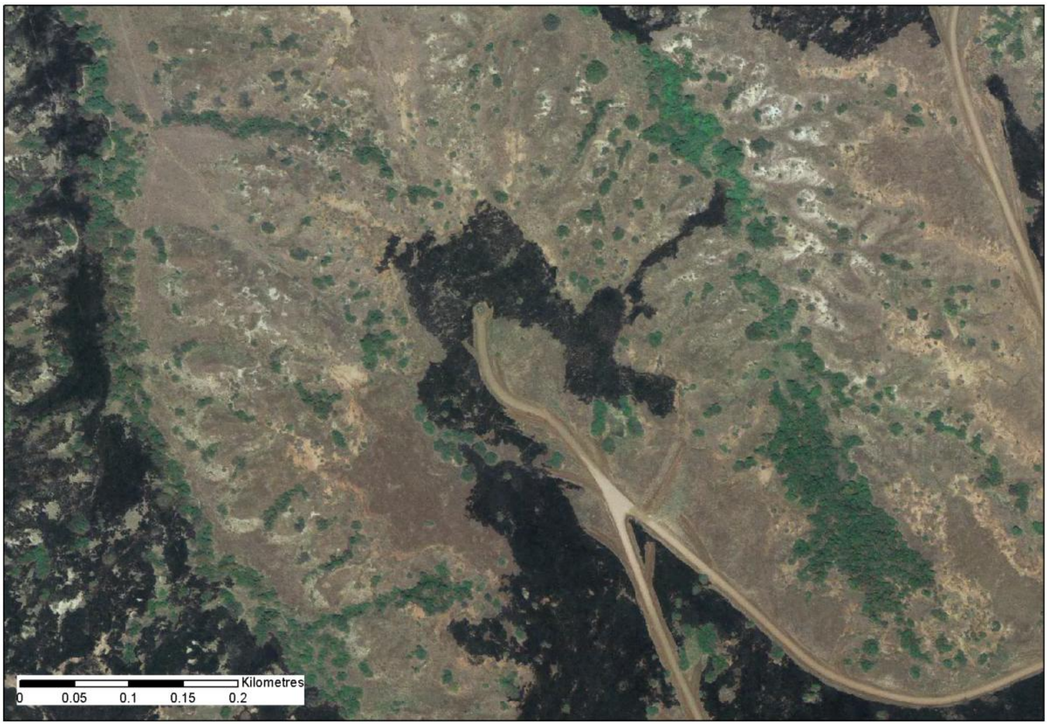
Appendix 2

Wells – during and after drilling

Example is Nzizi-1:

During drilling operations (2008):-

After drilling operations (2011):-



Appendix 3

Text of Letter from Tim O'Hanlon to His Excellency President Yoweri Museveni re: Wikileaks

His Excellency,
Yoweri Kaguta Museveni
President of the Republic of Uganda
State House
Entebbe
Uganda

10th December 2010

No doubt you have been made aware of the illegal theft of confidential communications from various US Embassies around the world including that in Kampala and the publication of selected and often doctored elements of these on the internet.

In one such release, I have been mentioned as accusing your Honourable Ministers ONEK and MBABAZI of involvement in corruption during a meeting I had with the US ambassador last year. This is absolutely false.

Of course, I never made such a claim to the US ambassador but merely discussed with him at our meeting in December 2009 the detailed stories published in the previous week's local press and the associated rumors circulating in Kampala at that time. I have no evidence to present implicating the Honourable Ministers in corruption and have no reason to believe that the rumors sweeping Kampala at the time were actually true.

In answer to the many media enquiries which have flooded Tullow since the Wikileaks publication, we have released the following statement to the Press :-

"As part of a general discussion about doing business in Africa with the US ambassador to Uganda, I made reference to a number of rumours then in circulation in the local media in Kampala to illustrate the issues the oil and gas industry faced. At no time did I give any credence to these rumours and would therefore dispute the record of our conversation as detailed by Wikileaks. In fact, President Museveni's government rightly insisted on a transparent process — which led directly to the joint venture agreement between CNOOC, Total and Tullow."

I can assure Your Excellency that we will continue to monitor these matters closely and will work in any way we can with the two Ministers involved to help clear their names. I remain available in Kampala and welcome any advice you may have to offer in this regard and sincerely regret this entire unhappy episode.

Respectfully Yours

Tim O'HANLON
Vice-President, African Business

Appendix 4

Operational History of Tullow in Uganda

History of Tullow in Uganda

2004

- Tullow acquired the Energy Africa Group, including its wholly owned subsidiary; Energy Africa Uganda Limited (which was shortly after re-named Tullow Uganda Limited (**"TUL"**)). This corporate acquisition gave Tullow its first interests in Uganda (50 per cent. non-operated interest in Exploration Areas EA1, EA2 and EA3A).

2006

- The Ugandan exploration campaign in the Lake Albert Rift Basin in 2006 resulted in significant successes, including:
  - four onshore wells and two flow tests to establish a working hydrocarbon system;
  - acquisition of gravity, magnetic and 2D seismic data to identify new prospects in the unexplored Butiaba area;
  - drilling and testing of the significant Kingfisher discovery; and
  - preparation for drilling more frontier wells.
- December 2006 – Tullow acquired Hardman Resources Limited. As a result of this corporate acquisition, Tullow acquired the wholly owned subsidiary of Hardman Resources Limited, called Hardman Petroleum Africa PTY Ltd. (which was later renamed Tullow Uganda Operations PTY Limited (**"TUOP"**)). This corporate acquisition enabled Tullow to hold the remaining 50 per cent. operated interest in EA2 (the other 50 per cent. was already owned by Tullow through TUL) giving Tullow, at this time, a 100 per cent. interest in EA2 and a 50 per cent. interest in EA1 and EA3A (with the remaining 50 per cent. in EA1 and EA3A being owned by Heritage).

2008

- After initial work carried out in 2007, a series of significant discoveries meant that the Lake Albert Rift Basin passed the commercial volume threshold required for development and was fast tracked.
- All ten wells drilled encountered hydrocarbons and material discoveries of approximately 600 million barrels of oil were made.

- An aggressive drilling and seismic projection campaign was established with the aim of locating sufficient resources to exceed the commercial threshold required to develop the Lake Albert Rift basin for both the regional market and through an export pipeline to the Indian Ocean.
- Exploration drilling activities were predominately focused on the Butiaba region of EA1 and 2 where eight discoveries were made. Approximately 400 million barrels were discovered in the region including the 300 million barrel Buffalo-Giraffe (later named Jobi-Rii) discovery in the southern part of EA1. The majority of Butiaba discoveries were in the Victoria Nile Delta.

2009

- Six of the seven wells drilled in the EA1 and EA2 regions encountered oil. The commercial threshold for development of the Lake Albert Rift Basin was comfortably exceeded with a 96 per cent. drilling success rate.
- The discovered resource base in 2009 was in excess of 800 million barrels of oil.
- The Jobi-Fii field was found to be a 300 million barrel discovery.
- In October 2009, Tullow commenced the farm-down process to sell a proportion of its interests in EA1, EA2 and EA3A in the Lake Albert Rift Basin. The purpose of this was to bring in experienced and like-minded partners with downstream expertise to deliver an accelerated basin-wide development. The process attracted strong interest from a number of major international and national oil companies who visited Tullow's data rooms, the Ugandan operations and made representations to the Ugandan Government.
- In November 2009, Heritage, Tullow's partner and operator of EA1 and EA3A, announced its intention to sell its entire Ugandan interests to a third party and in December 2009 Heritage agreed the terms of such sale with ENI.

2010

- However, in January 2010 Tullow chose to exercise its contractual pre-emption rights (which entitled Tullow to acquire the interests that Heritage proposed to sell to ENI on the same terms as Heritage had agreed with ENI). A formal request was submitted to the Ugandan Government to approve the transfer of the relevant assets to Tullow.
- Tullow continued to work closely with the Ugandan Government to gain approval for the pre-emption of the Heritage-ENI deal (to enable Tullow to hold 100 per cent. of the interests in EA1, EA2 and EA3) which would in turn enable Tullow to farm down a proportion of these assets to interested third parties. CNOOC and Total were identified as potential parties who, following the acquisition by Tullow of Heritage's interests in EA1 and EA3A, were prepared to acquire a 1/3rd each of Tullow's 100 per cent. interest in EA1, EA2 and EA3A.

- In July 2010, Tullow closed its acquisition of Heritage's 50 per cent. interest in EA1 and EA3A in the Lake Albert Rift Basin. $1.05 billion was paid to Heritage with $121 million deposited with the Ugandan Revenue Authority and $283 million held in Escrow pending a resolution of a dispute between Heritage and the Ugandan Government over payment of capital gains tax.

- The successful exploration and appraisal campaign in Uganda continued in 2010 with ten wells successfully drilled, all of which encountered hydrocarbons. This led to the estimated resource base for Uganda being revised upwards from 800 million barrels at the beginning of the year to 1 billion barrels at year-end.

2011

- Tullow and the Ugandan Government engaged in negotiations for over 6 months aimed at resolving the impact of the Heritage capital gains tax dispute on exploration operations in EA1, EA2 and EA3A. A legally binding Memorandum of Understanding was finalised in March 2011 which paved the way for the farm-down by Tullow to Total and CNOOC.

- In June 2011, Jobi-East-1 and Mpyo-3 wells, in EA1 onshore Uganda, successfully encountered oil in line with pre-drill expectations.

2012

- On 3 February 2012, Tullow signed two Production Sharing Agreements relating to the Lake Albert Rift Basin with the Ugandan Government. This enabled Tullow and it new partners to complete the farm-down on 21 February 2012 for a consideration of $2.9 billion.

- Pursuant to the completion of the deal, operatorship responsibilities within the basin will be divided between the Partners. Total will operate EA1 and Tullow will operate EA2. In the former EA3A region, CNOOC will operate the new Kanywataba licence and the Kingfisher production licence.

Appendix 5

List of all payments made by Tullow to the Ugandan Government

Set out below is a summary of all payments made to the Government by Tullow in respect of EA1, EA2 and EA3A[3].

Payments Made to the Government of Uganda

Licence Fees	USD	UGX	Payment Received By	Date
Surface Rentals – EA2				
2008 (paid in Jan 09)	35,062.50		Bank of Uganda (“**BoU**”)	13/01/2009
2008	42,812.00		BoU	23/12/2010
Nov ‘09 –Oct 2011	27,549.11		BoU	08/12/2010
Nov ‘11 - Oct 2012	11,452.50		BoU	01/03/2012
Training fees – EA2				
2008	97,023.00		BoU	23/12/2010
Nov ‘09 –Oct 2011	100,000.00		BoU	08/12/2010
Nov ‘11 - Oct 2012	50,000		BoU	01/03/2012
Surface Rentals – EA1				
2007	21,425.00		BoU	07/04/2007
2008	21,425.00		BoU	30/06/2008
2009	32,137.00		BoU	25/06/2009
2010	32,137.00		BoU	25/06/2010
Training Fees – EA1				
2007	75,000.00		BoU	07/04/2007
2008	75,000.00		BoU	30/06/2008
2009	75,000.00		BoU	25/06/2009
2010	75,000.00		BoU	25/06/2010
Surface Rentals – EA3A				
2006	9,442.00		BoU	09/12/2005
2007	11,549.00		BoU	23/01/2008

[3] Figures taken from Financial Statements audited to December 2010 by external auditors.

Licence Fees	USD	UGX	Payment Received By	Date
2008	14,932.50		BoU	15/09/2008
2009	14,932.50		BoU	09/08/2009
Training fees – EA3A				
2006	75,000.00		BoU	09/12/2005
2007	75,000.00		BoU	23/01/2008
2008	75,000.00		BoU	15/09/2008
2009	75,000.00		BoU	09/08/2009
New Licence fees –				
EA1				
Signature Bonus	200,000.00		BoU	02/03/2012
Training Fee	200,000.00		BoU	02/03/2012
Surface Rentals	22,995.00		BoU	02/03/2012
Exploration Area - Kanywataba				
Signature Bonus	300,000.00		BoU	02/03/2012
Training Fee	37,500.00		BoU	02/03/2012
Surface Rentals	1,282.50		BoU	02/03/2012
Exploration Area – Kingfisher				
Training Fee	200,000.00		BoU	02/03/2012
Surface Rentals	172,000.00		BoU	02/03/2012
TAXES				
EA2 (2006 – March 2012) (Tullow 100%)				
VAT		71,592,469,644	Uganda Revenue Authority "**URA**")	Various Dates
WHT		42,669,627,899	URA	Various Dates

Licence Fees	USD	UGX	Payment Received By	Date
PAYE		43,671,860,251	URA	Various Dates
Stamp Duty		114,470,226	URA	Various Dates
Custom Duties		11,209,593,608		Various Dates
TOTAL		169,258,021,628		
EA1 & EA3A (2010 - March 2012) (Tullow 100%)				
VAT		20,640,762,763	URA	Various Dates
WHT		29,362,556,586	URA	Various Dates
PAYE		1,639,154,039	URA	Various Dates
Custom Duties		15,261,804	URA	Various Dates
TOTAL		51,657,735,192		
Tullow acquiring interest of Heritage				
Stamp duty on transfer of Interests from Heritage to Tullow Uganda	14,500,000		BoU	April 2011
Heritage Capital Gains Tax – Agency Notice	313,447,500		BoU	April 2011
Tullow disposal of interests to TOTAL & CNOOC				
Capital Gains Tax	141,824,438		URA	Feb 2012

Summary

	USD
Taxes paid in UGX*	88,366,303
CGT on Total/CNOOC farm down	141,824,438
Tullow Farm down Stamp Duty	14,500,000
Training Fees	1,284,523
Signature Bonus	500,000
Surface rentals	471,134
Heritage Agency Payment	313,447,500
Total Paid	$560,393,387

* Amounts paid in Uganda Shillings have been converted at an exchange rate of Ushs 2500/USD

Appendix 6

Lake Albert Map