

Meeting the challenge



2007 was an exceptional year for Tullow. The Group recorded its largest ever discovery, the Jubilee field offshore Ghana, continued its successful exploration in Uganda, and generated record production, sales revenue, operating cashflow and growth in reserves and resources.

Tullow is capable of growing substantially in the coming years and has the strategy, the assets and the team to achieve this. The outlook for 2008 and beyond is extremely promising.

Dear Shareholder,

This is an important document to notify you that the 2007 Annual Report and Accounts are now available online. We have also taken the opportunity to provide you with a summary review of the Group's activities during 2007. Please note that this is not a full summary of the 2007 Annual Report and Accounts and should not be regarded as a substitute for reading them.

Electronic delivery

In November 2007, we wrote to you advising that all shareholder documents would be made available to you electronically unless you requested to receive them in paper form. As you did not respond to the letter you are deemed to have agreed to view Company shareholder information and documents online. In choosing electronic communications, you are supporting our aim to reduce the impact on the environment of printing, mailing and distributing annual reports. You can also further reduce the environmental impact by opting out of receiving printed documentation and registering instead for email communication at: www.etreeuk.com/tulloilplc.

Annual Report and Accounts 2007

Tullow's Annual Report and Accounts 2007 are now available online to read or download from <http://annualreport2007.tulloil.com>.

Notice of Meeting and Proxy Form

The Notice of Annual General Meeting (AGM) and Proxy Form are also enclosed. The Notice of Meeting contains information on resolutions to be put to the AGM, which is important information for you to read and consider before voting. You may vote in person at the meeting, by completing and returning the Proxy Form to our registrars in the envelope provided or you may electronically register the appointment of a proxy through the internet by going to www.computershare.com/investor/proxy/. We have mailed paper copies of the Notice of AGM and Proxy Form this year, but may reconsider the position and decide to only make these available online next year.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 14 May 2008 at Stationers' Hall, Ave Maria Lane, London EC4M 7DD. If you wish to attend please bring your attendance card which detaches from the Proxy Form.

Meeting the challenge

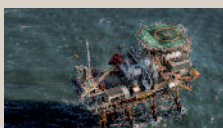
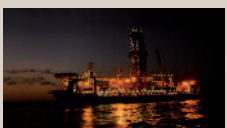
2007 was a year of many firsts for Tullow including our largest oil discovery to date and entry into the FTSE 100 Index. Our business has grown rapidly in recent years and our success is the result of consistent application of a balanced strategy that combines strong operational focus with a commitment to investment in our exploration portfolio.

Continued growth will of course also bring new challenges and risks, and we recognise that our strategy and business management must be sufficiently flexible to adapt to changing circumstances, emerging opportunities and occasional failures.

By building on the progress made in 2007 we have the potential to more than double the size of Tullow over the coming years. This is no small task but I believe we have the opportunity and the ability – but most importantly the appetite – to ensure Tullow meets this challenge and continues to deliver superior shareholder value.

I would like to thank shareholders for their support and our employees for their commitment over 2007 and I look forward to reporting to you on our progress in 2008 and beyond.

Pat Plunkett
Chairman



Find out more about how Tullow are meeting the challenge

Continued growth will bring with it new challenges and through case studies in the online Annual Report we show how we are meeting the challenges of successful partnership, long-term growth, managing a mature basin and supporting education.

> <http://annualreport2007.tulloil.com>



Tullow's strategy is based on having a long-term view and continually investing to increase the value of our business. Our vision is to be the leading global exploration and production company and to deliver at least 20% Total Shareholder Return each year.



- Tullow manages its exploration activities and production business in an integrated manner with a clear focus on value. We seek material positions in assets where our technical and operational skills can make a real difference.
- Tullow's African assets have transformed the Group's business in the last 12 months, driven by exceptional exploration success in Ghana and Uganda and strong production growth, particularly in Equatorial Guinea.
- 2007 was a successful year for Tullow in Europe. Despite a volatile gas market and lower capital allocation, results were strong, with fields developed, a successful gas discovery and licences added in two new provinces.
- During 2007 Tullow's South Asia business reported good production growth, delivered two development projects and established a high impact exploration campaign in India.
- Tullow made steady progress in South America in 2007 with the integration of the Hardman portfolio, the pursuit of new business opportunities and preparation for drilling the high impact Matamata prospect in 2008.

Aidan Heavey, Chief Executive Officer

Key performance indicators (KPIs)

Every year each business unit is set performance targets that are based on and support Tullow's strategy.

Tullow is organised into four core areas and seven business units. These business units have annual performance targets which link directly into and are aligned with our growth strategy and how we measure and maintain our strong progress. In total, across the Group, we look at some 25 metrics in areas such as health and safety, the environment and financial performance. The table below lists the Group's KPIs, which the Board regularly reviews to maintain their appropriateness. In 2008, we will be adding another KPI which focuses on our people performance, to ensure that we continue to attract and retain top quality staff, particularly in an industry where human resources are scarce. On page 34 and 40 of the Annual Report you will find additional information on both the financial and non-financial metrics we use to assess the ongoing progress of the business.

KPIs	2007	2006	Change
Lost Time Incident Frequency Rate (LTIFR)	1.95	0.81	+142%
Production (boepd)	73,100	64,720	+13%
Reserve and resource replacement (%)	434	173	+261%
Cash operating costs per boe (£)	5.05	4.74	+ 7%
Operating cashflow before working capital (£m)	473.8	446.7	+6%
Total Shareholder Return (%)	66	49	+17%

Remarkable exploration success

The highlight of 2007 for Tullow was undoubtedly the remarkable success of the Group's exploration and appraisal programmes in Ghana and Uganda.

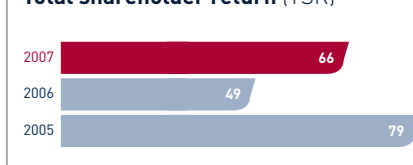
In Ghana, the discovery of the Jubilee field and subsequent success with the Odum exploration well provide a high degree of confidence that Tullow may have uncovered not just a world-class discovery but also a material new oil province in which we are the dominant acreage holder. Our priority for 2008 will be to rapidly appraise the Jubilee field while also testing some of the more significant regional exploration prospects. In parallel, the field partnership is working on plans for a phased development of the field targeting first oil for 2010. A high-capability semi-submersible drilling rig has been contracted for a period of up to five years.

In Uganda, Tullow achieved continued success in the Lake Albert Rift Basin and in 2007 invested over US\$100 million (£50 million) in exploration and appraisal activities. The knowledge and confidence generated by our success to date has led to a plan to invest over US\$200 million (£100 million) in 2008. The programme, which will include onshore and offshore drilling, seismic surveys and the anticipated sanction of an Early Production System (EPS), has the potential to more than double Tullow's worldwide reserve base and make a material long-term contribution to Uganda's economy.

Strong portfolio performance

Tullow has a high quality, diverse portfolio of production and development assets. Over the last few years the Group has developed a strong track record of reserves and production growth and has delivered material value. Our producing assets performed strongly again during 2007, driving Group output to 73,100 boepd, up 13%. This allowed Tullow to capitalise on oil prices that at times approached record levels. Our production rates in Africa were particularly encouraging, led by the Okume development in Equatorial Guinea. In the UK, investment was redirected in favour of international programmes in response to gas market conditions. This meant that UK production remained broadly stable. Record production generated record operating cash flow before working capital movements of £474 million, enabling the rapid progress of development, exploration and appraisal programmes across our core areas, particularly in Africa which accounted for 64% of capital investment during the year.

Total shareholder return (TSR)



+66%

2007 has been an exceptional year contributing to a three year TSR of 443%

Solid financial results

During 2007, Tullow's business reached a new level of scale in terms of production, operating cashflow, market value and future growth potential. Total shareholder return in 2007 was 66% (2006: 49%), placing Tullow in the top quartile of its peer group. Over the three-year period from 2005 to 2007, Tullow's total shareholder return has been in excess of 440%. Overall, results for the year were solid. However, a 19% decline in realised gas price, which represents 40% of revenue, impacted our performance and this, combined with increased depreciation and interest charges and exploration write-offs, meant that basic earnings per share declined 71% to 7.1 pence per share. In particular, the disappointing performance of the Chinguetti field in Mauritania has led to a write-down of £27 million in carrying value, while unsuccessful drilling on the Kudu-8 well in Namibia and in the UK North Sea accounts for over 50% of our total exploration write-off for the year. Our balance sheet remains strong and as a signal of our confidence in the business we have increased our final dividend of 2007 to 4.0 pence per share, an increase of almost 15% on the 2006 level.

Adapting to a changing industry

The continued strength of oil and gas pricing over recent years has changed the dynamics of our business and the nature of competition within our industry. This combined with the intense demand for rigs and related oilfield

services and equipment means that effective capital management and allocation are critical. We continually review our portfolio in relation to Tullow's long-term strategy. Our aim is to build strong positions in core areas, to consolidate niche positions in developing regions and to dispose of assets of lower materiality or where we cannot achieve meaningful operational influence or control. We also seek to allocate capital effectively between exploration and appraisal, and production and development based on available funds and quality of opportunities.

Active portfolio management

A clear example of portfolio management in action was our decision in late 2007 to consider the disposal of Tullow's interest in the M'Boundi field in Congo (Brazzaville). This field, in which Tullow had a non-operated 11% interest, accounted for approximately 5% of 2007 sales volumes. Recent transactions had led to a consolidation of ownership and the transfer of operatorship to a major oil company, thereby limiting Tullow's ability to contribute to decision making or future plans. The sale of this asset in early 2008 for a total consideration of US\$435 million (£218 million) has provided Tullow with significant financial flexibility and will enable us to accelerate investment across the remainder of our business. Further portfolio management is under active consideration as we seek to reallocate our financial and human resources to assets that are more material to the Group's long-term business.

“Our exploration success has opened up new geological plays with significant upside potential. Our focus is now on the appraisal of these regions while maintaining an active exploration and new ventures programme to generate the next phase of growth.”

Angus McCoss, Exploration Director

Linking business and responsibility

At Tullow, Corporate and Social Responsibility (CSR) is a core value. As part of our culture we support the communities where we work and protect people and the environment. Good CSR helps us develop a political and community profile that supports our business and strategic objectives. Our focus is on delivering the most appropriate CSR activities to ensure we achieve the best outcome. Our CSR and Environment, Health and Safety (EHS) policies, which are reviewed annually by the Board, describe our core values and formalise our long standing commitment to these areas.

CSR in Tullow is embedded in our business processes and aligned to our 'Working with Communities' initiative, which encompasses all our community based activities. Tullow's CSR Committee manages our growing support for community sponsorship programmes and provides guidance to those responsible for CSR. We prioritise our support for carefully selected projects, which can be as basic as the provision of clean water through to programmes aimed at socio-economic change. Where we have long-term operations we have a greater opportunity to engage in longer-term CSR activities while in the early exploration phase we typically focus on short-term, stand-alone projects. In 2007, we were involved in 120 projects across 19 countries.

We operate in numerous countries where core EHS standards are either not yet in place or not enforced. It is under these circumstances that we must meet the challenge of developing programmes which provide social and

“In recent years we have focused on delivering value from Tullow’s growing portfolio and have made significant investments in building our team and enhancing operating capability.”

Paul McDade, Chief Operating Officer

community support, but which also drive improvements in EHS awareness and help to create a culture which minimises risk to people.

Operating safely and with sensitivity

While we always aim for a perfect safety record, the nature and operational complexity of oil and gas activities means that this is not always possible to achieve. During 2007 Tullow personnel and contractors performed over five million hours of operated activity spread across eight countries. These operations varied from 2D and 3D seismic surveys and drilling in Uganda to offshore seismic surveys in French Guiana and significant production and development drilling operations on the Schooner and Ketch fields in the UK Southern North Sea. In 2007, our Lost Time Incident Frequency Rate (LTIFR) increased to 1.95 per million hours worked (2006: 0.81). This is a disappointing outcome and is in contrast to the steady improvements in safety performance we have reported in recent years. In response

to this we have launched a number of training, process and operational initiatives on a groupwide basis with the objective of materially improving the 2008 outcome.

Balancing our risks

Maintaining our growth will bring with it new challenges and risks, which we recognise are an everyday part of doing business. To continue to prosper, Tullow is required on an ongoing basis to identify, manage and mitigate a wide range of strategic, operational, financial and external risks. Many of these risks are addressed through the application of Tullow's strategy. However, external risks such as those arising from the actions of our competitors, the volatile nature of oil and gas pricing and the diverse nature and location of operations are not directly controllable. Wherever possible we seek to mitigate our exposure to these risks through a clear framework of management and communications that incorporates financial, production and exploration management, the three key strategic pillars of the Group.



Tullow people

Last year, we spoke about Tullow being a great place to work and an employer of choice in the industry. In 2007, Tullow decided to test this by entering our London Head Office in the annual 'Best Companies to Work For' competition for the first time.

Tullow achieved 3-Star status on the first attempt, which is the highest possible award status and we are naturally very proud of this result.

We appreciate that this is, however, a snapshot in time. We have set the standard now and must work hard to ensure that we maintain it.

This is one of the challenges we face as we grow into a larger, more diverse Group operating major projects in many different countries.

We will continue to recruit the best talent into the organisation and keep people at the top of the agenda, to ensure we remain a great place to work.

Focused exploration strategy

From an exploration perspective, our discoveries in Ghana and Uganda have created a step change in Tullow's outlook and we will now concentrate resources on appraisal and further regional exploration campaigns. Our exploration strategy is to build on the success of recent years, focusing on and developing our experience in our four core plays, which are 'Salt Basins', 'Stratigraphic Traps', 'Rift Basins' and 'Fold Belts', where our track record is strongest. Although Tullow found a rare giant field in Ghana, ever fewer of these exceptional traps remain undrilled and many are unavailable as they are held by the oil majors or national oil companies. Tullow's niche, therefore, is exploring our core geological plays for commercially viable prospects in the scale of a few tens, to a few hundreds, of millions of barrels of oil equivalent.

The upper end of this scale represents a rich set of opportunities for Tullow, and the Group is particularly well skilled and organised to meet the challenge of continuing to grow through exploration. Geology is considered over geography as a fundamental principle in Tullow's exploration strategy and only the best prospects are targeted after rigorous technical and commercial evaluation. Exploration is undertaken via efficient regional campaigns, capitalising on success with material acreage positions. Six campaigns are currently ongoing. Tullow expects to drill over 30 exploration wells during the year, combining a mix of lower impact, near infrastructure prospects with high impact opportunities.

Future production growth

Following the discovery of the Jubilee field in Ghana, we are formulating plans for an extensive operated appraisal and development drilling campaign and the initiation of the first phase of development with first production targeted for 2010. The completion of the acquisition of Hardman Resources in early 2007, provided us with an opportunity to consolidate our position in Uganda, take operational control of the critical Block 2 and define the pace of investment. During the year we conducted a successful appraisal programme, commenced work on an EPS and are moving towards first oil in 2009. Elsewhere we continue to rank our many investment opportunities and invest in the high-graded production and development projects to ensure continued production growth from our existing assets. Tullow is now entering a new phase in its development, operating major projects in both Ghana and Uganda that individually have the potential to more than double current reserves and production. The Group expects to drill over 20 development wells in 2008 with production expected to average between 70,000 and 74,000 boepd.

Meeting the challenge of transformational change

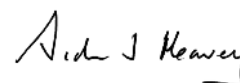
Tullow has a long-term perspective on developing the business. We plan in advance, execute consistently, review regularly and maintain financial and operational flexibility. We have a clear strategy to deliver sustainable profitable growth into the future. 2008 will

Total dividend distribution

£97 million

Since 2003 Tullow has returned £97 million to shareholders in the form of dividends. Over the same period the Group has shown a total shareholder return of over 700%.

be another busy year as we move towards sanction of the Jubilee field development in Ghana, continue to explore, appraise and develop the significant potential of the Lake Albert Rift Basin in Uganda and optimally exploit our asset portfolio. Tullow has, over recent years, prepared for the challenges these important projects will bring by steadily building the organisational experience and knowledge required to control and successfully execute projects of this scale and diversity. The delivery of value from these world-class projects will provide not only an opportunity for us to leverage from the long-term investment in our team but also the opportunity to build new skills within the organisation to support our longer-term ambitions. The future is very exciting.



Aidan Heavey
Chief Executive Officer

“Our financial strategy is to focus on allocating resources to assets which will drive future growth and support our long-term business objectives. Our goal is to maintain financial flexibility to support the Group's significant appraisal and development programmes in Ghana and Uganda and effectively allocate capital across the remainder of the Group.”

Tom Hickey, Chief Financial Officer

Operating cashflow

£474 million +6%

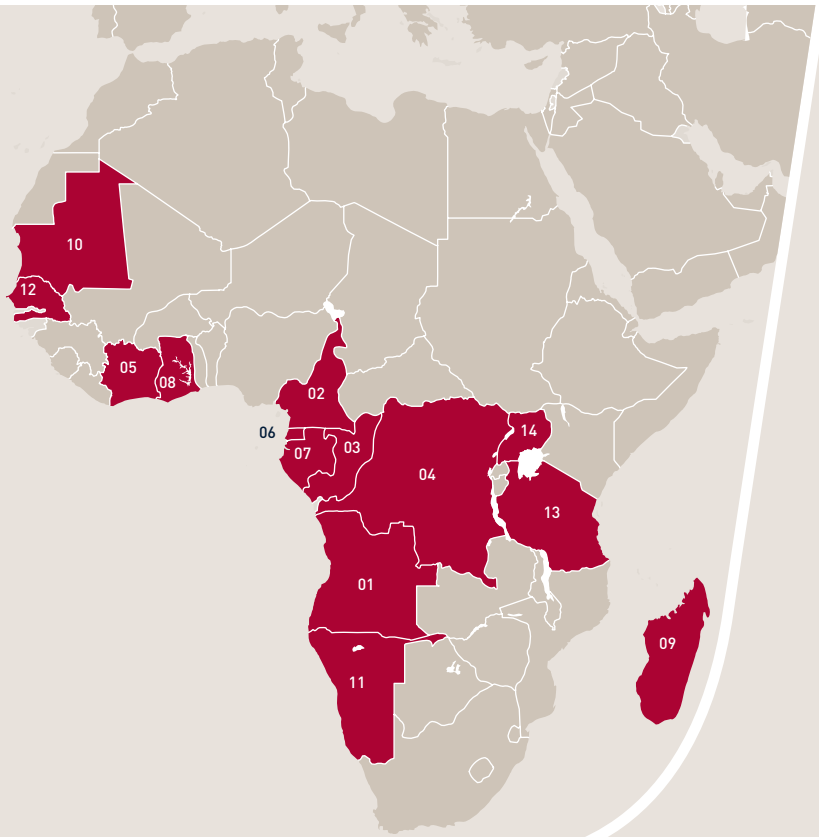
Tullow demonstrated strong cashflow growth in 2007 which enabled us to continue our aggressive growth in capital investment. During 2007, approximately 48% of our investment was allocated to production and development assets, with the balance invested in our exploration portfolio. The success of our 2007 exploration programme has led to major appraisal and development programmes in 2008. Our assets in Ghana and Uganda will together account for over 50% of expenditure during the year.

Tullow has a balanced portfolio of exploration and production assets with interests in 106 licences across 23 countries in four core areas. The largest core area is Africa, which represents over 50% of Tullow's production and sales revenue and more than 80% of the Group's reserves and resources. Tullow focuses on gas exploration and production in the UK, has a growing South Asia business and has recently gained interests in South America with high impact exploration potential.

Africa

2007 saw Tullow achieve record African production from its operations in Côte d'Ivoire, Congo (Brazzaville), Equatorial Guinea, Gabon and Mauritania. The Group also has an extensive African exploration portfolio.

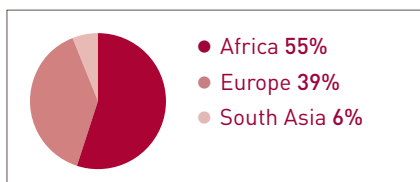
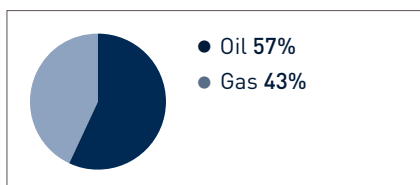
- 01 Angola ●
- 02 Cameroon* ●
- 03 Congo (Brazzaville)* ▲■
- 04 Congo (DRC) ●
- 05 Côte d'Ivoire ●▲■
- 06 Equatorial Guinea ▲■
- 07 Gabon ●▲■
- 08 Ghana ●
- 09 Madagascar ●
- 10 Mauritania ●▲■
- 11 Namibia ▲
- 12 Senegal ●
- 13 Tanzania ●
- 14 Uganda ●



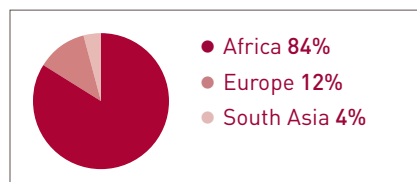
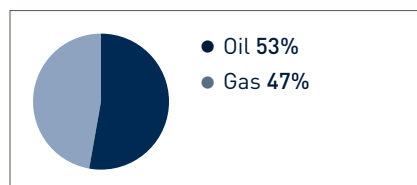
Key: Exploration = ● Development = ▲ Production = ■

Note: *Tullow has agreed the sale of its assets in these countries.

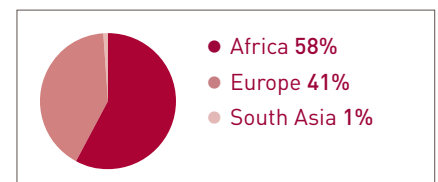
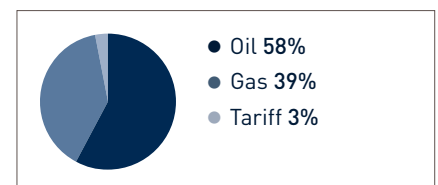
Working interest production 73,100 boepd



Reserves and resources 551 mmboe



Revenue £639 million



2007 Working interest production

73,100 boepd

2007 Capital investment

£370 million

2007 Exploration success rate

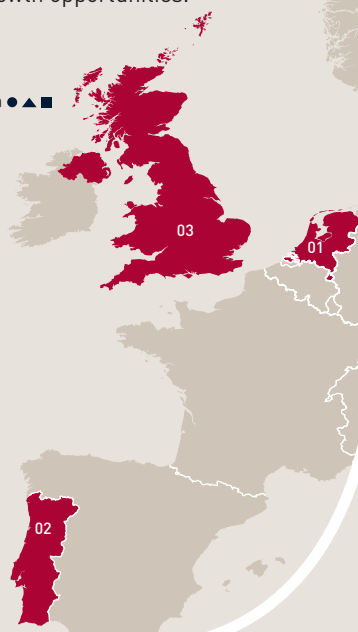
56%

> For more information visit www.tulloil.com/tlw/operations

Europe

Tullow's European production comes from its gas assets in the UK Southern North Sea. Recently acquired exploration licences in Portugal and the Netherlands provide longer-term growth opportunities.

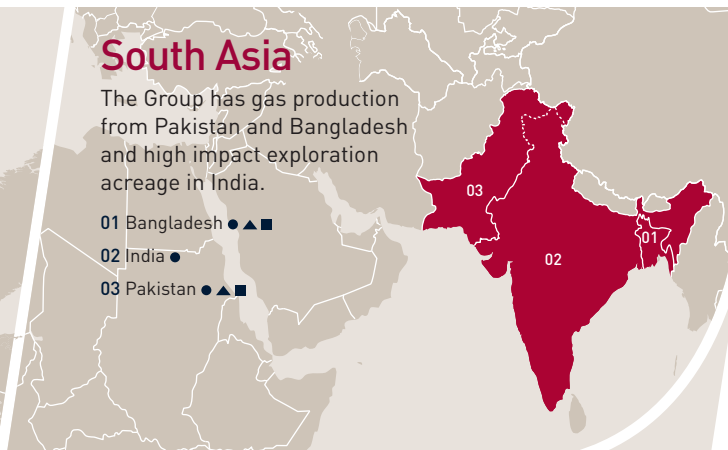
- 01 Netherlands ●
- 02 Portugal ●
- 03 United Kingdom ●▲■



South Asia

The Group has gas production from Pakistan and Bangladesh and high impact exploration acreage in India.

- 01 Bangladesh ●▲■
- 02 India ●
- 03 Pakistan ●▲■



South America

Tullow is focused on applying its West African geological expertise to similar plays in this region.

- 01 Falkland Islands* ●
- 02 French Guiana ●
- 03 Suriname ●
- 04 Trinidad and Tobago ●

Note: *Tullow withdrew from the Falkland Islands in August 2007.



Acreage overview

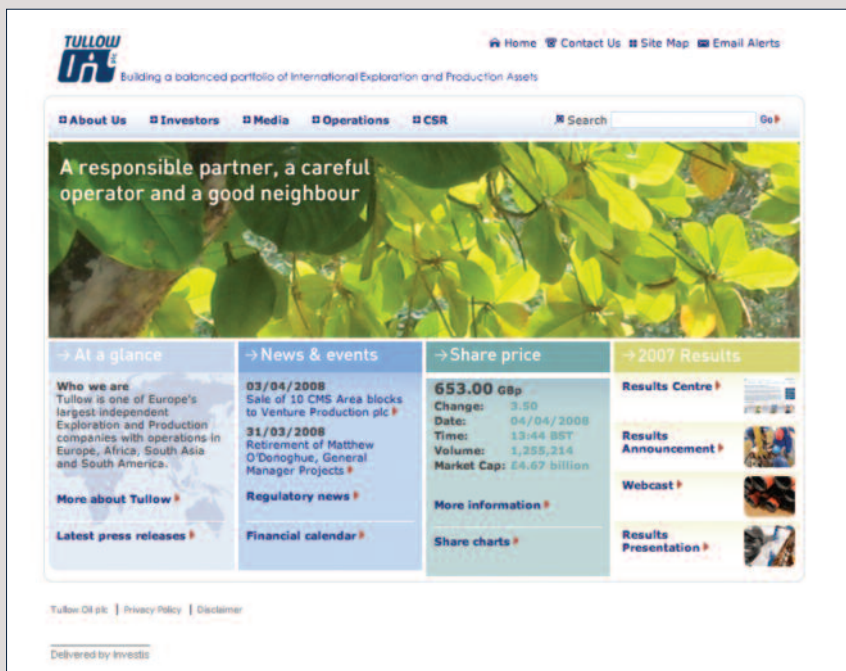
Region	Licences	Acreage (sq km)
Africa	50	144,076
Europe	39	14,773
South Asia	12	40,004
South America	5	41,367
Total	106	240,220

Drilling activities

Region	Exploration/Appraisal wells	Discoveries	Development wells
Africa	8	5	77
Europe	3	1	3
South Asia	–	–	1
South America	5	3	–
Total	16	9	81

Get more online

For more information visit www.tulloil.com



Electronic communications

Opt for electronic communications and receive an email alert when publications become available.

Annual Report

Access the online Annual Report via our website on the day it is published.

AGM voting

Visit the Annual General Meeting section of our website and cast your proxy votes electronically.



2007 Annual Report and Accounts

You can search for key information in the Annual Report and download sections in pdf format. View the online version of the 2007 Annual Report at:

<http://annualreport2007.tulloil.com>



2007 Corporate Social Responsibility Report

Our Corporate Social Responsibility Report, which will be published in May 2008, covers our role as operator, partner and neighbour. Read about our commitment to effective governance and our activities and progress in health and safety and the communities and environments in which we operate.

www.tulloil.com/tlw/cr



2008 Fact Book

Our Fact Book is published in March and August and includes an asset overview, results summary, reserves and resources summary and capex programme details. It also includes costs and depreciation, development opportunities, current exploration programmes, current production summary and net daily entitlement.

www.tulloil.com/tlw/ir

Please note:

- 01 All documents on the website are available without any particular software requirement other than the software which is available on the Company's website.
- 02 Paper copies of the Annual Report and Accounts 2007 can be obtained by contacting Computershare Investor Services from the UK on 0870 703 6242, from Ireland on 01 2163744 or from any other country on +44 870 703 6242.
- 03 For every shareholder who signs up for electronic communications, a sapling is planted under the eTree initiative run by Woodland Trust. You can register for email communication at: www.etreeuk.com/tulloilplc.