History & Background

Tullow Oil is a leading independent oil and gas exploration and production company in Europe with operations located in Europe, Africa, South Asia and South America. Tullow has interests, through its wholly owned subsidiary Tullow Ghana Limited, in two exploration licences offshore Ghana – Deepwater Tano and West Cape Three Points and as operator of the Jubilee Unit Area containing the Jubilee oil field discovered in 2007.

Tullow recorded its largest oil discovery, the Jubilee field offshore Ghana, in 2007 along with further successful exploration in Uganda. These African assets transformed the Company's business. In 2008, the Company drilled 99 exploration, appraisal and development wells, which included multi -well campaigns in Ghana and Uganda. The Company achieved a 77% exploration and appraisal success rate with 17 out of 22 successful wells in 2008.

In 2009 Tullow achieved 87% exploration and appraisal success with 13 out of 15 wells discovering hydrocarbons. The majority of the drilling took place in Ghana and Uganda where a total of 13 wells were drilled. The Company continued its success in exploration and appraisal delivery in 2010, achieving an 83% success ratio after finding hydrocarbons in 24 out of its 29 wells.

Tullow operations posts significant statistics in 2010

In 2010, Tullow's operations in Africa represented 67% of the Company's working interest production, 78% of the Group's revenue and 96% of the Group's reserves and resources. As at 31 December 2010, Tullow had reserves and resources of 1,388 million barrels of oil (mmboe) and a working interest production of 58,100 barrel per day (bpd) with a three year reserves replacement of 250%. Africa accounts for 93% of the Group's commercial reserves and contingent resources. Across the rest of the Group's African portfolio production and exploration and appraisal, success continues to remain strong as major high-impact exploration opportunities are being matured.

Tullow was founded Tullow Oil in 1985. After being incorporated in 1986, Tullow was first listed on the Irish Stock Exchange (ISE) in 1989 and then the London Stock Exchange (LSE) in 1994. In 2000, following a corporate restructuring, Tullow moved its main listing from the ISE to the LSE. It is currently an FTSE 100 company on the LSE.

Legal Basis for the offer

Board resolved for IPO in Ghana

The board of directors, at a meeting held on October 26, 2010, resolved to list Tullow shares on the Ghana Stock Exchange. This step demonstrates the Company's long-term commitment and interest to Ghana. The Directors believe that an offer of Tullow Shares on the GSE would give the communities in which it operates, the larger Ghanaian public and its employees the opportunity to own a share in the Company and share in its future.

Regulators have given approval for offer

The GSE has granted approval for the secondary listing of the Issued Tullow Shares and a subsequent listing of 4,000,000 Tullow Shares, pursuant to a public offer, on the First Official List of the GSE. It is expected that dealings in the listed ordinary shares will commence on the Listing Date. Upon completion of the Transaction, dealings in Tullow's ordinary shares can be done on the LSE, ISE or the GSE. The shares pertaining to this Offer will, when issued, be held in dematerialised form. In compliance with the requirements of the GSE, share certificates will not be issued for Tullow Shares.

The Offer

Transaction details The Initial Public Offer (IPO) of Tullow comprises the secondary listing of the Issued Tullow Shares on the GSE and an offer for subscription of 4,000,000 Tullow Shares at the Offer Price. If the offer is fully subscribed for, GH¢124 million is expected to be raised. However, the minimum amount to be raised for the Offer to be declared successful is GH¢ 20 million. In all, approximately 894.118 million shares, and a market capitalisation of GH¢27.718 billion will be recorded for Tullow if the offer is 100% subscribed.

Oversubscription Policy Upon oversubscription, that is, should Tullow receive applications for its shares in excess of the 4,000,000 Tullow Shares being issued under the Offer, Tullow may issue additional Tullow Shares to satisfy the extra demand. This will be subject to the sole and absolute discretion of the Board of Directors of Tullow, any limitations applicable to Tullow under its Regulations and laws applicable for the issuance of such additional Tullow Shares.

Offer Price The offer price is GH¢31 per share, which represents a 2.57% discount to the closing price of a Tullow share on the LSE on June 10, 2011.

Units of Purchase Each application under the Offer must be for a minimum of three (3) Tullow Shares and in multiples of one (1) share thereafter. This means a subscriber may buy three shares and above.

Payment for Shares Payment for Tullow Shares must be in full on application. Payment may be in cash, cheque, postal, and money order. Cheques, postal and money orders, which will be presented for payment, should be made payable to TULLOW SHARE OFFER and should be crossed and marked COMMISSION TO DRAWER'S ACCOUNT". This endorsement must be signed by the drawer.

Offer Period The offer begins on Monday, June 13, 2011, and ends on Monday, July 4, 2011. Tullow shares are expected to be listed on July 27, 2011.

Receiving Agents The shares can be purchased from all named receiving agents, including **HFC Brokerage Services Limited**

Use of Funds Tullow intends to use all proceeds raised through the Offer to fund its Ghanaian operations, subject to meeting the costs of the Transaction from such proceeds.

Potential Risks Successfully exploring for, appraising and developing, and producing oil and gas requires efficient risk management. A summary of the more common risks associated with the industry include Political, Geological, Exploration Cost and Delay Risks, Safety and Environmental Risks, Equipment and Human Resource Risks, Production, Storage and Distribution Risk (Demand Side and Price Volatility risks), as well as Hedging Risks.

Financial Analysis

Below are extracts of Tullow's financials & some selected ratios for the past five years. [Sources: LSE and Yahoo Finance]

Financial Highlights

	2010 US$'m	2009 US$'m	2008 US$'m	2007 US$'m	2006 US$'m
Revenue	1089.80	915.90	1011.96	1269.07	578.85
Operating Profit/ (Loss)	234.60	151.00	438.46	317.23	278.29
Net Interest	-55.00	-58.70	-63.35	-90.49	-14.96
Profit Before Tax	151.90	32.50	437.88	226.73	263.33
Profit After Tax	**72.50**	**30.60**	**330.93**	**104.41**	**157.44**

Tullow recorded a growth of 19% year on year (y/y) in 2010, and an impressive bottom-line growth of 137%. However, as indicated above the company has not been consistent in the posting of profits over the past five years. This could be attributed to the nature of their business which requires huge investments in particular periods. Additionally the global downturn heavily impacted on their profitability within the last few years. However, their performance this year is expected to be remarkable as the company rakes in revenue from the Jubilee field. The company has also paid relatively low dividends which averaged around eight (8) cents over the past five years. The dividend yield could also be attributed to the fact that the company re-invest most of its net earnings into further projects.

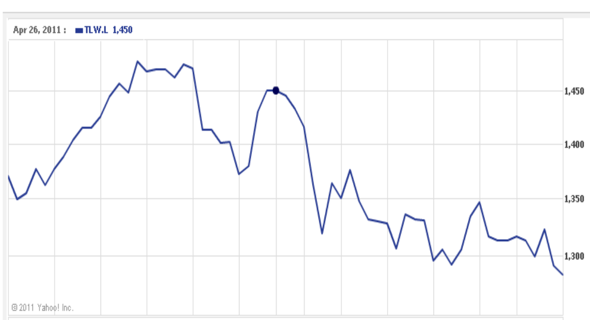
Selected Ratios

	2010	2009	2008	2007	2006
Earnings per Share ($)	0.06	0.03	0.45	0.14	0.24
P/E Ratio (x)	332.40	655.70	23.50	74.30	16.40
Dividend per Share ($)	0.06	0.06	0.09	0.12	0.06
Dividend Yield (%)	0.30	0.30	0.80	1.10	1.40
Return on Capital Employed (%)	5.40	3.68	30.65	18.52	47.10

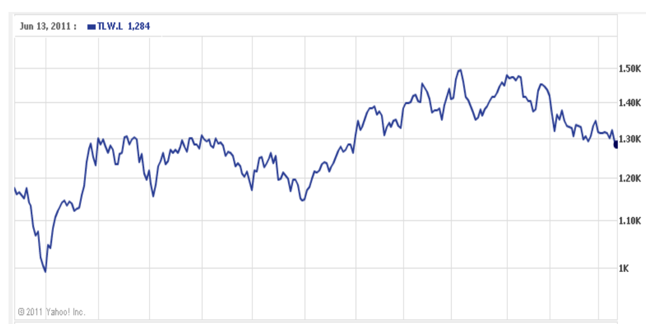
The returns on Tullow's share price have also not been consistent over the past few years. However, this mixed performance is not unusual of stocks. As indicated in the diagrams below, the short term fluctuations in the shares of Tullow did not present a positive return for the period under review. An observation over the long term shows a compound annual growth rate (CAGR) of 33% over a five year period.

Share Price Performance	2006	2007	2008	2009	2010
End of year price (£)	3.98	6.665	6.595	13.05	12.61
YTD Performance (%)		**67.46**	**(1.05)**	**97.88**	(3.37)

3 months Share Price Performance



1 yr Share Price Performance



5 yr Share Price Performance

Investment Case and Recommendation

Tullow's success rate of E&A averages 82%

Tullow Oil has consistently posted good results in the success rate of their global exploration and appraisals. This has averaged around 82% compared to a world average of approximately 30%. For the year 2011, the company has planned for a 60:40 split between production & development, and exploration & appraisals with a capital expenditure of approximately US$1.5 million. Oil exploration and production is capital intensive and will require long term investments.

Tullow's upside production target to grow by 68% in 2011

The company, which exceeded its upside production target for 2010 has further projected a significant growth of approximately 68% upside in 2011 to 90,000-96,000 bpd. However, there are some considerations that could curb the growth of crude oil demand including the slowdown in recoveries of many economies including U.S., Europe, Japan and China. Also, the high crude oil prices compared with natural gas prices might also further push the demand from crude oil to natural gas, where possible. Recent analysts reports from Bloomberg indicates that the slowdown in US and china's moves to tackle inflation, may cause oil demand to be lacklustre. Thus, oil prices are headed lower in the near term. China is the highest consumer of oil with the US placing next.

Slowdown in China and US may push down oil prices

OPEC 's decision not to increase oil supply may push up oil prices

Nonetheless, earlier this month, indecision by members' at the last Organisation of Petroleum-Exporting Countries (OPEC) meeting to reach a consensus on whether or not OPEC should raise oil production, despite the drop in Lybia's oil production, is expected to stifle supply to an extent. OPEC is responsible for nearly 40% of the world's oil supply, and it has 12 members. Thus, this decision might further tighten the crude oil market and could push up crude oil prices in 2011. Expectations of a growth in demand for oil mainly from non-OECD (Organisation of Economic Cooperation & Development) could result in a gap between crude oil demand and production during the second half of 2011. This gap could further push crude oil prices up in 2011 and even 2012.

2011 fundamentals expected to be remarkable

Tullow Oil has good fundamentals with revenues registering a five year CAGR of 17%, and also finds itself in a vibrant economy which has high growth prospects. The performance at the end of the 2011 financial year is expected to be remarkable on the back of proceeds from the Jubilee field. The company aims to be "the company of choice in Africa" in the oil sector.

Oversubscription policy may stifle short term capital gains

Under this offer the oversubscription strategy that the company has adopted might mean that it is not likely the share price might increase immediately after the offer, unless there are some investors that were unable to purchase during the IPO. Thus investors should be looking more at the long term for gains.

Long term position in Tullow recommended

Additionally, due to the volatility of the main revenue drivers in its industry, and the relatively low dividend yield of approximately 0.78% (over five years), coupled with the inconsistent annual returns on its share price, registering a CAGR of 33% (over the five years) which is in tandem with the seemingly cyclical nature of the business, **a long term position in equity in Tullow is recommended**. **BUY.**

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